Annual Report
2005

CHUM
LIMITED

Performance Highlights

- Achieved record levels of revenue, EBITDA, net earnings and cash flow:
  - Revenue up 12%
  - EBITDA up 26%
  - Cash flow from operations up 41%
  - Radio EBITDA up 17%, Television EBITDA up 26%
- Completed highly strategic acquisition of Craig Media Inc.
- Executed rebranding of conventional television assets across two strong television brands – Citytv and A-Channel
- Acquired full ownership of Learning and Skills Television of Alberta Limited and its four specialty stations
- Launched 91.7 THE BOUNCE in partnership with Milestone Media Broadcasting Ltd. to impressive share
- Completed purchase of CFAX-AM and CHBE-FM in Victoria and relaunched the latter as KOOL-FM, doubling its reach and share of tuning
- Increased operational efficiencies across the organization

Corporate Profile

CHUM Limited, one of Canada's leading media companies and content providers, owns and operates 33 radio stations, 12 local television stations and 21 specialty channels, as well as an environmental music distribution division. Through international format licences and program sales, CHUM's original content is seen in over 130 countries and is distributed across a variety of new media platforms, including interactive television, mobile and wireless services, and exclusive CHUM-branded Internet properties. The shares of CHUM Limited trade on the Toronto Stock Exchange under the ticker symbols: CHM and CHM.NV.B.

Contents

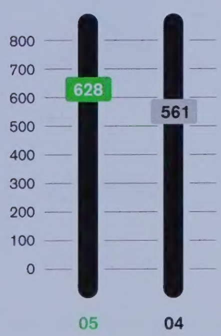
Financial Highlights

(in thousands of dollars, except per share amounts)	2005	2004
Revenue, less agency commissions	**$ 628,392**	$ 560,792
EBITDA(1)	**116,453**	92,649
Net earnings	**41,365**	37,032
Net earnings per Non-voting Class B and Common Share	**1.49**	1.35
Cash provided by operating activities before changes in non-cash balances related to operations	**87,430**	62,201
Additions to property, plant and equipment, net	**27,846**	20,385
Long-term debt(2)	**321,354**	131,771
Shareholders' equity	**484,807**	423,251
Dividends paid:		
Non-voting Class B Shares	**2,339**	2,279
Common Shares	**742**	742

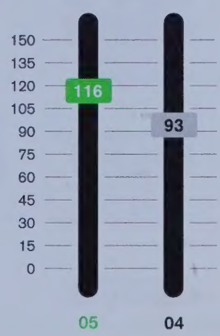
(1) EBITDA is defined as earnings before interest, income taxes, other income, depreciation, asset writedowns and non-controlling interests. This supplementary earnings measure does not have a standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other companies nor should it be viewed as an alternative to net earnings. It is a measure used by investors in determining the ability of the Company to generate cash from operations and cover financial charges.

(2) Includes current portion

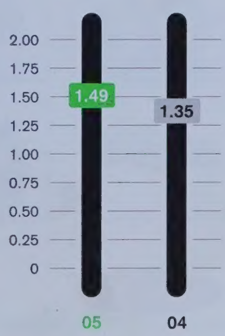
REVENUE
(in millions of dollars)



EBITDA(1)
(in millions of dollars)



EARNINGS PER SHARE
(in dollars)



Programmed for Success

CHUM Limited's strategy continues to be generating long-term growth and value by creating and developing entertaining, compelling and differentiated proprietary content and brands. We continue to seek new opportunities and focus on assets that expand the Company's listenership, viewership and interaction with its audiences across multiple platforms and geographic locations. This has resulted in a balanced portfolio of radio and television assets in strategic markets across Canada in addition to successful Internet properties.

CHUM RADIO

19 FM Stations
14 AM Stations

British Columbia

- CFAX-AM Victoria
- CFUN-AM Vancouver
- CHBE-FM Victoria
- CHQM-FM Vancouver
- CKST-AM Vancouver

Alberta

- CHBN-FM Edmonton (51%)

Manitoba

- CFRW-AM Winnipeg
- CHIQ-FM Winnipeg
- CFWM-FM Winnipeg

Québec

- CKGM-AM Montréal

Nova Scotia

- CJCH-AM Halifax
- C100-FM Halifax
- CKUL-FM Halifax (50%)

Ontario

- CKLW-AM Windsor
- CHST-FM London
- CHUM-AM Toronto
- CKLY-FM Lindsay
- CFJR-FM Brockville
- CFRA-AM Ottawa
- CIDR-FM Windsor
- CKKW-AM Kitchener
- CHUM-FM Toronto
- CKLC-AM Kingston
- CJPT-FM Brockville
- CKKL-FM Ottawa
- CKWW-AM Windsor
- CFCA-FM Kitchener
- CKPT-AM Peterborough
- CFLY-FM Kingston
- CFGO-AM Ottawa
- CIMX-FM Windsor
- CKQM-FM Peterborough
- CJMJ-FM Ottawa

CHUM TELEVISION

12 Conventional
21 Specialty (10 Analog, 11 Digital)

CONVENTIONAL

British Columbia	Alberta	Manitoba	Ontario		
CKVU-TV	CKAL-TV	CHMI-TV	CITY-TV	CHRO-TV	CHWI-TV
CIVI-TV	CKEM-TV	CKX-TV	CKVR-TV	CFPL-TV	CKNX-TV

SPECIALTY

Analog			Digital		
MuchMusic	Bravo!	Canadian Learning Television	MuchVibe	Razer	SexTV: The Channel
MuchMoreMusic	SPACE	ACCESS	MuchLOUD	FashionTelevisionChannel	CourtTV Canada
MusiquePlus (50%)	Star!		MuchMoreRetro	BookTelevision	TV Land
MusiMax (50%)	CablePulse24 (Ontario)		PunchMuch	Drive-In Classics	

NON-BROADCAST UNITS

- CHUM Satellite Services
- CHUM Interactive
- CHUM Television International
- The Learning Annex (70%)

Chairman's Message

This has been another outstanding year for CHUM Limited. As you will read in the following pages in the shareholders' letter from President and Chief Executive Officer, Jay Switzer, our Company achieved strategically important milestones in 2005, both in terms of operations and financial results. On behalf of myself and the Board of Directors, I congratulate Jay, our management team and all of the talented and dedicated employees across our entire Company on a job well done.

In 2005, we undertook a number of initiatives designed to improve the governance of our Company and, in so doing, contribute to the future success of the organization.

We increased our complement of independent directors through the addition of two new appointments, Gordon Craig and Catherine Tait. In addition to their extensive experience at the board level, both bring direct broadcast experience. Gordon Craig was Chairman and CEO of Netstar Communications Inc. while Catherine Tait, formerly President and Chief Operating Officer of Salter Street Films Limited, is the President and co-founder of Duopoly, Inc., an independent production company based in New York.

Our Board Committees (Audit, Compensation and Governance) are strong and involved. In addition, at the management level, we have instituted a new Disclosure Committee for the Company, designed to assist us in meeting or exceeding corporate best practices in disclosure of information to all shareholders.

CHUM has a long and proud history of commitment to excellence and innovation. That commitment began in 1954 when my father, Allan Waters, purchased 1050 CHUM in Toronto. Under his leadership as President and CEO until 2002, CHUM has grown to be one of Canada's premier media companies. In October, after a remarkable 50 years, Allan Waters stepped down as a member of our Board and was named an Honorary Director of CHUM Limited.

A pioneer and industry leader, Allan Waters laid the foundations for the guiding principles in which our Company is rooted: integrity and putting people first. As a result, CHUM Limited today is recognized for embodying a unique spirit and culture – one based on respect, honesty and fair dealing. I know I speak on behalf of all of us who are part of this wonderful company he built in giving him our heartfelt thanks.

As we look to the future, we remain committed to producing long-term shareholder value. The steps taken in 2005, both at the Board and operating levels, have positioned us to maintain this record of success. On behalf of the Board of Directors, I thank our shareholders for their continuing support and look forward to 2006.

Jim Waters
Chairman of the Board

To Our Shareholders

2005 was a very successful year for CHUM Limited. Not only did we deliver excellent financial and operating performance, we positioned the Company for continued long-term growth and financial success. As you read the review of our radio and television operations, you will see the progress achieved in 2005. Our continuing objective is to build a media organization that creates, markets and delivers compelling and original content and some of the most-loved and best-targeted brands to listeners, viewers and advertisers, across multiple platforms, in Canada and around the world.

Jay Switzer
President and
Chief Executive Officer

Our Company's overall financial performance for 2005 was strong. CHUM Radio's exceptional overall performance continued in 2005, showing solid revenue growth and operating margins that are amongst the highest in the Canadian industry. CHUM Television's revenues continue to grow with excellent operating margins in specialty and improving margins in conventional television.

We have already begun taking advantage of economies of scale and associated organizational synergies flowing from both new and acquired stations that came on-line in fiscal 2005. Clearly, the integration of the assets of Craig Media Inc. ("CMI") represented the single largest and most important initiative in this regard. We also acquired full interest in Learning and Skills Television of Alberta Limited ("LTA") and completed our purchase of radio assets in Victoria – all significantly advancing our objective of seizing new opportunities that will enable us to maximize our financial performance and build on our strengths across all business lines.

In addition, we have delivered on our operational priorities to streamline our back-office infrastructure and share capabilities between our stations and divisions, increasing cross-promotional activity between properties and implementing further cost management across the Company. These continue to be priorities for 2006.

FINANCIAL HIGHLIGHTS

CHUM Limited experienced another strong year of financial performance in the fiscal year ended August 31, 2005, achieving record levels of revenue and net earnings:

> **Revenue increased to $628.4 million, compared with $560.8 million for the same period in 2004, representing an increase of 12%. The growth was attributable to strong performance in both radio and television segments;**

> **Net earnings increased 12% to $41.4 million, or $1.49 per share, compared with $37.0 million, or $1.35 per share, last year. This was primarily attributable to revenue growth with stronger EBITDA margins;**

> **Cash flow from operating activities in 2005, before changes in non-cash balances related to operations, reached $87.4 million, or $3.14 per share. This compares with $62.2 million, or $2.26 per share in fiscal 2004;**

> **CHUM Limited has an unbroken record of paying dividends every year since becoming a public company in 1967. For the year, total dividends paid reached $3.1 million, an increase of 2%, related to the issuance of new Non-voting Class B Shares in conjunction with the acquisition of LTA. On a per share basis, the Company paid $0.11 per share, unchanged from a year ago.**

CHUM RADIO

Fiscal 2005 was an active and successful year for CHUM Radio, with outstanding growth in EBITDA of 17% as a result of strong revenue growth and expense discipline. Our FM stations recorded an increase in EBITDA and losses were reduced on AM stations. EBITDA margin in fiscal 2005 increased to 33% from 31% in 2004.

In February, we launched 91.7 THE BOUNCE in Edmonton, in partnership with Milestone Media Broadcasting Ltd. This new licence represents an important new asset for CHUM in Edmonton, a major radio market, and the station is already generating an impressive share in its short time on the air.

CHUM Limited has an enviable balance of radio, television and new media assets that enables us to touch consumers across multiple platforms, creating connections that go beyond the traditional listener/viewer relationship.

In October, we completed the acquisition of CFAX-AM and CHBE-FM in Victoria from Seacoast Communications Group Incorporated ("Seacoast"), and relaunched the latter as KOOL-FM, doubling the station's reach and share of tuning. We also filed an application with the Canadian Radio-television and Telecommunications Commission ("CRTC") for a new FM station in Calgary. A public hearing is expected in February 2006.

Radio ratings continued to be strong, driving advertising revenue. After an anomaly in one Spring survey this year, CHUM-FM reclaimed its #1 position in the Toronto market, continuing as the most listened to commercial radio station in Canada. According to the latest ratings for each market we serve, of 19 FM stations, 12 are #1 in their target demographics.

CHUM TELEVISION

This was an important year for CHUM Television, one of both growth and transition. Revenue and EBITDA reached record levels of $482.6 million and $90.8 million, respectively, with EBITDA margins increasing from 16.9% to 18.8%.

The acquisition of CMI was a key element in our strategy for CHUM's future growth and success. The integration of CMI's conventional television stations in Calgary, Edmonton, Winnipeg and Brandon into CHUM's existing television operation increased our conventional coverage to over 80% of the country and provided programming leverage and flexibility, back-office efficiencies and important programming and cross-promotional synergies. This allowed for the execution of the rebranding strategy for our conventional television stations along two strong brands, Citytv and A-Channel, each continuing to serve its important local mandate, but sharing a common name and creative elements, in addition to programming specifically produced and acquired for the group.

The acquisition of CMI also included three digital channel licences: MTV Canada, MTV2 and TV Land. After MTV Networks International executed its right to terminate its agreements with CMI upon the change of control, CHUM relaunched MTV Canada and MTV2 under newly-created proprietary brands: Razer, a youth lifestyle channel and PunchMuch, Canada's first fully automated, all request music video station. Together with TV Land, these stations complement and broaden our already strong specialty offerings.

In addition, we completed the acquisition of the remaining interest in LTA and its four channels and consolidated its operations into our Edmonton facility for further cost savings and operational synergies.

CHUM has been leading the way in reaching viewers on new media platforms including online, mobile, wireless, video on demand, live events and other interactive platforms. Our mobile phone and SMS initiatives were among the first in North America, including such highlights as the launch of the MuchMusic Edition Phone and PunchMuch.

In April, we implemented a new management structure for the television division where overall responsibility was realigned across three functional groups: content, operations, and sales and marketing. This realignment, across all channels and related business units, provides for enhanced performance and competitiveness, enabling us to harness and strategically deploy our extensive creative and operational resources across the entire television division.

Our content realignment has already generated positive results, as exemplified in "MuchMusic VJ Search: The Series," CHUM Television's first original primetime series that extends the hugely popular broadcast elements of the VJ Search brand. The series, which will be fully supported across CHUM services, will engage viewers across a variety of platforms including SMS and online.

LOOKING AHEAD

In many ways this past year has been a time of transition and building. We now enter our first full fiscal year with our new radio and television assets – with a larger reach, refocused brands, improved programming and marketing and more efficient operation centres. While we maintain our position in the marketplace as local specialists, we are now able to offer broader and more effective opportunities for our advertising clients.

CHUM Limited has an enviable balance of radio, television and new media assets that enables us to touch consumers across multiple platforms, creating connections that go beyond the traditional listener/viewer relationship. Our visible commitment to, and involvement in, the day-to-day life of the communities we serve further strengthen these ties. Knowing our listeners and viewers delivers results for advertisers, distributors, business partners and shareholders.

Across Canada and around the world, we are known for our strong channel brands and compelling original content. As Canadian broadcasters, our leadership in this area is not only a great source of pride, but is what we believe will increasingly set us apart.

In closing, I would like to express my thanks to our Board of Directors for their continued support. I would also like to recognize the outstanding contribution of CHUM's employees across the country, whose talent, enthusiasm and commitment to excellence are key to our accomplishments. Together we remain steadfast in our dedication to nurturing innovation and creativity in an environment that fosters respect.

The past year has been both a successful and important one for CHUM Limited, leaving us well positioned for the future. We look forward to building on our momentum and achievements as we continue to deliver long-term growth and financial success.

Jay Switzer
President and
Chief Executive Officer

radio

Fiscal 2005 was another year of operating and financial success for CHUM Radio. Revenue increased 9.5% to $134.5 million, with EBITDA up 17.3% to $44.6 million. Our EBITDA margin was 33.2% compared with 31% last year. Our FM stations have been the primary contributor to earnings while AM stations have significantly improved their performance.

The key to CHUM Radio's success is targeting – building audiences by delivering compelling programming that is customized to local needs and recognizes the diversity and demographics of each community. The management team focuses on execution, cost discipline and leveraging our leading market positions to maximize revenue and improving rankings across the division.

CHUM-FM's Marilyn Denis shares a laugh with Canadian singing sensation Michael Bublé during a special radio broadcast featuring a live interview and performance.

OPERATING HIGHLIGHTS

We successfully launched 91.7 THE BOUNCE, housed in CHUM's new facility in downtown Edmonton. This new radio station represents an important addition for CHUM as a new licence in a major radio market that is co-located with our television stations;

We completed the acquisition of CFAX-AM and CHBE-FM in Victoria. CFAX-AM is the second highest rated news/talk station in B.C., while CHBE-FM was successfully relaunched as KOOL-FM, doubling its reach and more than doubling its share of tuning;

The CHUM-pioneered BOB-FM format remains a strong performer in Winnipeg, Ottawa, Brockville and London, and this year CKLY-FM Lindsay was relaunched as 91.9 BOB-FM;

In July, CHUM filed an application with the CRTC for a new radio station in Calgary. We expect the hearing to take place in February 2006;

In June 2005, the CRTC awarded CHUM a licence to operate a national subscription radio service in partnership with Astral Media Inc. Licences were also awarded to U.S.-supported Canadian Satellite Radio Inc. and Sirius Canada Inc., for satellite-based subscription radio services. CHUM/Astral, together with with 34 other media groups and organizations, subsequently filed an appeal to the Governor in Council to set aside the satellite decisions pertaining to the U.S.-supported services on the basis of their low level of Canadian content, but were unsuccessful. CHUM is currently reviewing its options for the launch of its service;

In October 2005, the Copyright Board issued its decision regarding tariff proposals, which saw an increase in the amount of royalties payable by radio stations to the Society of Composers, Authors and Music Publishers of Canada ("SOCAN") and the Neighbouring Rights Collective of Canada ("NRCC") retroactive to January 2003. To fully provide for the amounts due, $2.6 million was charged to operations expenses in the fourth quarter.

LOOKING AHEAD

We are focused on building great local brands and creating long-term growth opportunities. CHUM Radio will continue to invest in the development of distinctive and sustainable program formats that heighten our stations' performance in their markets, making them even more compelling to our target audiences and to advertisers. Our employees are committed to serving our listeners with innovative local programming and developing creative strategic sales and marketing initiatives for our advertisers. We also continue to build profitability through greater operational efficiencies and cost discipline.

CHUM's downtown Edmonton facility is now home to our newest radio station 91.7 THE BOUNCE and television stations Citytv, ACCESS, BookTelevision, CLT and CourtTV Canada.

tv

Fiscal 2005 was another strong year for CHUM Television. Revenue increased 13% to $482.6 million and EBITDA was up 25.8% to $90.8 million. EBITDA margin was 18.8% compared with 16.9% last year. Equally important, these results were achieved while the division completely re-positioned itself for future success.

CHUM Television's success is built on strong distinctive brands, innovative original programming and proven sales and marketing expertise. Our industry-leading combination of conventional, specialty and Internet properties deliver the most hard-to-reach audience demographics to advertisers. Our conventional channels deliver significant audience reach, while our specialty channels, on a combined basis, provide advertisers with a broad demographic reach, as well as unrivalled delivery to highly sought-after niche demographics. Our digital channels, which we further expanded this year, will enhance the Company's future growth.

Pop superstar Hilary Duff appears in an exclusive interview live on MuchMusic.

OPERATING HIGHLIGHTS

In December 2004, we completed the acquisition of CMI. This $265 million transaction re-positioned our television business in a profound manner. With this acquisition, we have now been able to:

> significantly increase the reach of the Company's conventional television stations, which should result in improved advertising revenue on national programming;

> acquire higher quality programming amortized over greater reach to generate higher ratings and higher advertising revenue;

> realize savings in operating expenses in the areas of sales and general administration;

> re-position our conventional television business, creating two distinctive yet complementary channel brands, Citytv and A-Channel, which cover more than 80% of Canadian television households;

> rebrand our new stations in Calgary, Edmonton and Winnipeg as Citytvs and rebrand CHUM local stations in Barrie, Ottawa, London, Windsor, Wingham and Victoria as A-Channels; and

> take advantage of greater flexibility in our programming and promotional strategy for our Citytv and A-Channel station groups, which is expected to lead to long-term profitability of our conventional television stations.

York Region reporter Farah Nasser from A-Channel Barrie/Toronto.

MuchMusic VJ Hannah Sung talks to The Black Eyed Peas on the red carpet at the 2005 MuchMusic Video Awards.

In December 2004, we sold Toronto 1, a television station acquired through the CMI acquisition, to TVA Group Inc. and Sun Media Corporation for $46 million, which included obtaining Sun Media's 29.9% ownership interest in CablePulse24 ("CP24"), valued at $8 million, bringing CHUM's ownership of CP24 to 100%;

In June 2005, we successfully rebranded MTV Canada and MTV2 as Razer, a youth lifestyle channel and PunchMuch, Canada's first fully automated, all request music video station;

In February 2005, we completed the acquisition of the 40% of LTA which we did not previously own, comprised of four channels – Canadian Learning Television, ACCESS, CourtTV Canada and BookTelevision. LTA's operations were consolidated into our new media facility in Edmonton;

We announced the launch of "MucnMusic VJ Search: The Series," CHUM Television's first original primetime reality series, which extends the hugely popular VJ Search brand. Premiering in January 2006, the 10-week series will be fully supported across CHUM stations and engage viewers on multiple platforms, including SMS and online;

CHUM Television International ("CTI") had a successful year. CHUM-branded channels and program blocks are seen in 74 countries today, while CHUM programming is distributed into over 130 countries;

PunchMuch is Canada's first fully automated, all request music video station.

CHUM Interactive continues to identify and grow new lines of business for the Company. In addition to profitably operating a network of 30 advertising-supported websites, the unit has led a number of important new revenue generating initiatives, as set out below:

- mobile phones (text or SMS) enabled a number of interactive TV experiences including: voting in the MuchMusic Video Awards, in daily flow on MuchMusic, as well as during Citytv's Speakers Corner and New Year's Eve Special;
- this year also saw the launch of PunchMuch, Canada's first fully automated, all request music video station, driven by mobile phones allowing users to request videos, participate in on-screen SMS chat, polling and more;

- the fullest expression of the mobile lifestyle was seen in a new and very successful joint venture with Rogers Wireless Communications Inc., the MuchMusic Edition Phone; and
- mobile content continues to be a growing part of CHUM Interactive's business. Video content for a new generation of mobile phone users leverages programming from CHUM stations.

The MuchMusic Edition Phone connects fans to the excitement of Much culture and features exclusive content including celebrity voicemail, video and photo downloads and more. In its first year, more than double the projected amount of units has been sold.

LOOKING AHEAD

We have a strong, balanced portfolio of conventional and specialty channels, providing revenue through multiple streams including advertising, subscription, content sales and new, interactive content delivery.

Our television division remains focused on maximizing value from existing operations, as well as pursuing new initiatives that both enhance and further leverage our existing television assets. We will continue to seek strategic opportunities that will increase our reach, enhance our competitiveness and create sustainable value.

CHUM is committed to public service. Our Company and employees play a leading role in assisting hundreds of worthy and diverse charitable organizations across Canada. We proudly continue our commitment to diversity, building bridges of cross-cultural understanding through our programming and social partnerships. The following are only a few components of CHUM's social investment:

A CHUM employee assists a student from St. Mary's Catholic Elementary School in Toronto as part of the CHUMWorks homework club.

CHUM DISASTER RELIEF DAY

The tsunami tragedy moved the world to react with unprecedented generosity to help the people of southeast Asia who lost their homes, livelihoods, communities and families in one of the worst natural disasters in modern history. In the days immediately following the tsunami, CHUM employees sprang into action to coordinate the Company's response, contacting the Canadian Red Cross, arranging donation lines, producing public service announcements and booking on-air performances.

On January 5, 2005, every CHUM radio and television station across Canada reached out to listeners and viewers to make donations to the Canadian Red Cross – kicked off by the Company's own $100,000 donation. The final tally of money raised after one week was an astonishing $4.5 million – the largest amount raised by a national media fundraising initiative in Canadian Red Cross history. We thank our listeners and viewers for their generosity, and the over 50 musical artists and celebrities who contributed their time and talent to CHUM Disaster Relief Day.

A CHUMCity Christmas Wish volunteer sorts toys donated for children in need.

CHUMWORKS: INVESTING IN OUR YOUTH

Entering its fourth year, CHUM has formed an innovative partnership with Frontier College, the Canada-wide literacy organization, to run the CHUMWorks homework club. Almost 100 CHUM employees have volunteered their time throughout the school year to serve as mentors, working one-on-one with kids from inner-city neighbourhoods that lack resources.

THE CHUM CHARITABLE FOUNDATION

The CHUM Charitable Foundation provides meaningful financial assistance to charitable organizations and social services agencies. Funds are raised primarily through the Annual CHUM Charitable Foundation Golf Classic and The CHUMCity Christmas Wish. This year, with the help of almost 500 agencies, community groups and The City of Toronto Community and Neighbourhood Social Services, the Wish assisted well-over 300,000 children in need to celebrate ethnically diverse festive holidays.

financial review

For the three months and year ended August 31, 2005

Certain statements contained in this Management's Discussion and Analysis ("MD&A"), and the documents incorporated herein by reference, contain forward-looking statements that reflect management's expectations regarding future growth, results of operations, performance, business prospects and opportunities of CHUM Limited and its subsidiaries and, as appropriate, joint ventures, if any, to which it is a party and entities in which it has an investment accounted for by the equity method (the "Company" or "CHUM"). Wherever possible, words such as "anticipate," "believe," "expect," "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors, including those discussed herein under the heading "Risk Factors," could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. You should consider these factors carefully and you should not place undue reliance on the forward-looking statements. Although management believes, or believed at the time, that the forward-looking statements contained in this MD&A, and the documents incorporated herein by reference, are based upon reasonable assumptions, CHUM cannot assure you that actual results will be consistent with these forward-looking statements and neither CHUM nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Unless otherwise required by applicable laws, CHUM assumes no obligation to update or revise any such forward-looking statements to reflect new events or circumstances.

This MD&A is dated as at October 28, 2005. All dollar references, unless otherwise indicated, are in Canadian currency. Additional information relating to the Company, including the Company's Annual Information Form, is on SEDAR at www.sedar.com or the Company's website at www.chumlimited.com/investors.

CORPORATE PROFILE

CHUM Limited, one of Canada's leading media companies and content providers, owns and operates 33 radio stations and 33 television stations, as well as an environmental music distribution division. Through international format licences and program sales, CHUM's original content is seen in over 130 countries worldwide and is distributed via new media platforms, including interactive television, wireless services and exclusive CHUM-branded Internet properties. The shares of CHUM Limited trade on the Toronto Stock Exchange ("TSX") under the ticker symbols: CHM/CHM.NV.B.

STRATEGY

The Company intends to continue to develop and leverage its brands by seeking new opportunities and focusing on assets that are both consistent in quality and expand the Company's listenership, viewership and interaction with its audiences across multiple delivery platforms and geographic locations. The Company seeks to maintain a culture of innovation and entrepreneurship, combined with operational discipline, to generate long-term growth, profitability and value. The Company expects to execute its strategy through expansion of its existing businesses, partnerships and joint ventures and acquisitions.

The Company's radio segment has the capacity to increase the number of stations in certain markets and to penetrate new markets within the existing regulatory framework.

For example, as previously reported, on February 17, 2005, the Company, in partnership with Milestone Media Broadcasting Ltd., launched 91.7 THE BOUNCE (CHBN-FM), a new radio station in the Edmonton market. This expansion provides entry to a new radio market for the Company. The Company also operates television stations in Edmonton, including Citytv (formerly A-Channel), ACCESS, Canadian Learning Television, CourtTV Canada and BookTelevision. Management expects long-term operating benefits from adding this new radio station to its television presence in Edmonton.

Similarly, the Company's television segment continues to seek to expand the reach of its conventional television business on a profitable basis and to expand its offering of specialty television channels in complementary genres.

The Company continues to work towards a number of goals that have helped shape its operations over the last few years – these are improving operating margins in its conventional television properties, increasing performance at its recently acquired stations, minimizing operating losses at its AM radio stations, minimizing the impact of new competitors in the television areas in British Columbia and Ontario and fostering increased radio/television cross-promotion and sales opportunities. The Company seeks to improve its return on capital employed by increasing operating profit and efficiently managing the capital invested in its businesses.

One of the Company's priorities in fiscal 2005 has been to focus on positioning its conventional television properties to enhance significantly their long-term growth prospects and profitability. As previously reported, the Company took a major step forward in this regard in December 2004 with the closing of the acquisition of CMI (see "Corporate Developments"). The integration of CMI's conventional television stations in Calgary, Edmonton, Brandon and Winnipeg into the Company's existing conventional television operations has:

- significantly increased the reach of the Company's conventional television stations, which should result in improved advertising revenue on national programming;
- resulted in savings in operating expenses in the areas of sales and general administration;
- enabled the Company to develop two distinct brands for its conventional television stations. Stations in Toronto, Winnipeg, Calgary, Edmonton and Vancouver are operating under the Citytv brand and stations in Barrie/Toronto, Ottawa, London, Windsor, Wingham and Victoria operate under the A-Channel brand; and
- provided the Company with greater flexibility in its programming and promotional strategy for its Citytv station group and its A-Channel station group, which is expected to lead to improved long-term profitability for all of its conventional television stations.

As previously reported, on February 15, 2005, the Company announced the closing of its purchase of all of the shares held by the minority shareholders of LTA, increasing CHUM's ownership of LTA from 60% to 100% (see "Corporate Developments"). LTA currently owns and operates the following channels: Canadian Learning Television, ACCESS, CourtTV Canada and BookTelevision. LTA also holds a 70% interest in a corporation carrying on business as the Learning Annex, a school for continuing education and personal growth.

The purchase of the remaining interest in LTA is particularly beneficial to the Company given the closing of the acquisition of CMI. This transaction allowed the Company to combine the operations of LTA and the newly acquired conventional station in Edmonton, resulting in operating efficiencies and savings.

Operating Results

(in thousands of dollars, except per share amounts)	August 31, 2005	August 31, 2004	% Change	August 31, 2005	August 31, 2004	% Change
	Twelve Months Ended			Three Months Ended (not audited)		
Revenue[1]	**$ 628,392**	$ 560,792	12.1%	**$ 150,962**	$ 130,797	15.4%
Operations expenses	**511,939**	468,143	9.4%	**140,322**	111,554	25.8%
EBITDA[2]	**116,453**	92,649	25.7%	**10,640**	19,243	(44.7%)
Depreciation	**25,436**	23,895	6.4%	**6,528**	6,133	6.4%
Interest expense	**13,059**	6,964	87.5%	**3,607**	1,725	109.1%
Interest and other income	**(977)**	(641)	52.4%	**(143)**	(114)	25.4%
Asset writedowns	**9,347**	–	–	**9,347**	–	–
Earnings before income taxes and non-controlling interest	**69,588**	62,431	11.5%	**(8,699)**	11,499	–
Provision for income taxes	**28,007**	23,777	17.8%	**(2,306)**	3,280	–
Non-controlling interest	**216**	1,622	(86.7%)	**(371)**	239	–
Net earnings for the period	**$ 41,365**	$ 37,032	11.7%	**$ (6,022)**	$ 7,980	–
Net earnings per share[3]	**$ 1.49**	$ 1.35	10.4%	**$ (0.22)**	$ 0.29	–
Cash flow from operations[4]	**87,430**	62,201	40.6%	**20,440**	13,424	52.3%
Cash flow per share[5]	**3.14**	2.26	38.9%	**0.74**	0.49	51.0%

1 In accordance with industry practice, agency commissions on advertising sales are deducted from gross revenues prior to recording such revenues. All further references to revenues in this MD&A are determined in accordance with such practice unless otherwise noted.

2 See definition of EBITDA under "Supplementary Measures."

3 The Company has two classes of outstanding shares: Common Shares and Non-voting Class B Shares. Holders of Non-voting Class B Shares are not entitled to vote at meetings of shareholders of the Company except as provided by law. In addition, the Company's articles do not provide a mechanism permitting holders of Non-voting Class B Shares to participate in any take-over bid for the Common Shares of the Company which does not expressly include an offer for the Non-voting Class B Shares.

4 Before changes in non-cash balances related to operations.

5 See definition of Cash flow per share under "Supplementary Measures."

The Company recorded a significant improvement in operating results in fiscal 2005. The radio and television segments both contributed to increases in consolidated revenue, EBITDA and EBITDA margin (as defined in "Supplementary Measures"). However, the Company's consolidated results were mixed in the fourth quarter of fiscal 2005. The radio segment recorded increases in revenue, EBITDA and EBITDA margin, excluding the full charge for the increase in SOCAN and NRCC tariffs and for radio stations the Company owned during both fiscal 2005 and fiscal 2004. However, the television segment's EBITDA and EBITDA margin declined. Operating results are more fully reviewed in the section "Business Segment Performance."

On a consolidated basis, the Company's net earnings for the year ended August 31, 2005 increased by 11.7% to $41.4 million from $37.0 million. The Company's net earnings for the fourth quarter and fiscal year were negatively impacted by asset writedowns and the decision by the Copyright Board of Canada to increase the amount of royalties payable by radio stations to SOCAN and NRCC. As previously disclosed, the Company provided financing for the production of Going The Distance, Charlie Jade and The Collector, Season 1 and Season 2. Going the Distance is a Canadian feature film and Charlie Jade and The Collector are Canadian science fiction dramas. Of the asset writedowns of $9.3 million, $8.8 million represents the writedown of advances and loans made to finance the production of Going The Distance and Charlie Jade. The remaining $0.5 million represents a writedown of a non-controlling interest in a corporate investment. Net earnings for the fourth quarter and fiscal year, excluding the asset writedowns and royalties adjustment, would have been $3.8 million and $51.2 million, respectively.

On October 14, 2005, the Copyright Board issued its decision regarding tariff proposals from SOCAN and NRCC. The Copyright Board increased the amount of royalties payable by radio stations to SOCAN and NRCC and made these new tariff rates retroactive to January 1, 2003. Management had accrued $0.6 million during fiscal 2005 anticipating a lower increase in the tariff rates and recorded a further charge in the fourth quarter of $1.0 million related to fiscal 2005 and $1.6 million related to prior years. Accordingly, to fully provide for retroactive amounts due for the period January 1, 2003 to August 31, 2005, an amount of $2.6 million has been charged to operations expenses in the fourth quarter.

The consolidated depreciation expense in the fourth quarter and the year ended August 31, 2005 was up $0.4 million and $1.5 million, respectively, from the corresponding periods last year. However, excluding the impact of the CMI assets, depreciation expense in the fourth quarter and fiscal year would have been unchanged, respectively, from the corresponding periods last year.

Interest expense for the fiscal year increased to $13.1 million from $7.0 million in fiscal 2004. This increase was primarily due to a higher level of debt outstanding during the year versus last year resulting from the financing of the acquisition of CMI with bank debt.

For the year ended August 31, 2005, the Company's effective income tax rate was 40.2% compared with 38.1% for the year ended August 31, 2004. This increase resulted primarily from the tax treatment of the writedown of the loan of $5.6 million in respect of Charlie Jade. The Company has not recognized the tax benefit of the writedown in fiscal 2005, but this amount will be available to offset capital gains in future periods. Of the total provision for income taxes, approximately $10.5 million does not give rise to a cash income tax liability, as the Company was able to utilize acquired tax losses to reduce taxable income.

SUMMARY OF QUARTERLY RESULTS

Financial results for the eight quarters ended August 31, 2005 are summarized below:

Preceding Eight Quarters (not audited)

Three Months Ended (in thousands of dollars, except for per share amounts)	Revenue	Net Earnings	Net Earnings Per Share
August 31, 2005	$ 150,962	$ (6,022)	$ (0.22)
May 31, 2005	175,514	23,420	0.83
February 28, 2005	141,340	2,519	0.09
November 30, 2004	160,576	21,448	0.78
August 31, 2004	130,797	7,980	0.29
May 31, 2004	148,775	14,268	0.52
February 29, 2004	125,739	1,160	0.04
November 30, 2003	155,481	13,624	0.50

The Company experiences seasonality of revenues with the strongest results in the first and third quarters, primarily due to the advertising spending patterns of customers in the Company's radio and television segments.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Financial results for each of the last three fiscal years are summarized below:

Year Ended August 31

(in thousands of dollars, except per share amounts)	2005	2004	2003
Revenue	**$ 628,392**	$ 560,792	$ 540,509
Net earnings	**41,365**	37,032	25,429
Net earnings per share	**1.49**	1.35	1.07
Total assets	**1,003,761**	716,423	698,751
Long-term debt	**319,563**	131,561	125,963
Dividends paid per share	**0.11**	0.11	0.11

Business Segment Performance (quarters not audited)

	Twelve Months Ended			Three Months Ended		
(in thousands of dollars, except percentage amounts)	August 31, 2005	August 31, 2004	% Change	August 31, 2005	August 31, 2004	% Change
Revenue						
Television	**$ 482,628**	$ 426,987	13.0%	**$ 115,290**	$ 97,229	18.6%
Radio	**134,479**	122,818	9.5%	**32,767**	30,478	7.5%
Other	**11,285**	10,987	2.7%	**2,905**	3,090	(6.0%)
	$ 628,392	$ 560,792	12.1%	**$ 150,962**	$ 130,797	15.4%
Operations expenses						
Television	**$ 391,820**	$ 354,804	10.4%	**$ 105,860**	$ 85,481	23.8%
Radio	**89,844**	84,772	6.0%	**24,265**	19,763	22.8%
Other	**30,275**	28,567	6.0%	**10,197**	6,310	61.6%
	$ 511,939	$ 468,143	9.4%	**$ 140,322**	$ 111,554	25.8%
EBITDA						
Television	**$ 90,808**	$ 72,183	25.8%	**$ 9,430**	$ 11,748	(19.7%)
Radio	**44,635**	38,046	17.3%	**8,502**	10,715	(20.7%)
Other	**(18,990)**	(17,580)	(8.0%)	**(7,292)**	(3,220)	(126.4%)
	$ 116,453	$ 92,649	25.7%	**$ 10,640**	$ 19,243	(44.7%)

Radio

The radio segment comprises the Company's AM and FM stations situated across the country. With the closing of the acquisition of Seacoast Communications Group Inc. and radio stations CFAX-AM and CHBE-FM on September 30, 2004, as previously reported in the Company's MD&A for the three months ended November 30, 2004 and the launch of 91.7 THE BOUNCE (CHBN-FM), as indicated above, CHUM added three radio stations to its portfolio during fiscal 2005. The following table sets out a comparison of segment performance for radio stations that the Company owned during both fiscal 2005 and fiscal 2004.

Segment Summary – excluding CFAX-AM, CHBE-FM and CHBN-FM (quarters not audited)

(in thousands of dollars, except percentage amounts)	Twelve Months Ended August 31, 2005	August 31, 2004	% Change	Three Months Ended August 31, 2005	August 31, 2004	% Change
Revenue	$ 130,913	$ 122,818	6.6%	$ 31,654	$ 30,478	3.9%
Operations expenses[1]	82,222	84,772	(3.0%)	20,080	19,763	1.6%
EBITDA	$ 48,691	$ 38,046	28.0%	$ 11,574	$ 10,715	8.0%

1 Excludes the $2.6 million charge for the increase in SOCAN and NRCC tariffs.

The radio segment recorded excellent performance in the fourth quarter and year ended August 31, 2005. The growth rate in revenue was lower in the fourth quarter than in the first three quarters of this year owing to an anomalous dip in the ratings position for CHUM-FM in the Spring ratings book. CHUM-FM regained its number one position in the Toronto market in the Summer ratings book. For the fiscal year, the radio segment recorded outstanding growth in EBITDA of 28.0% as a result of strong revenue growth and expense management. The Company's FM stations recorded an increase in EBITDA and losses were reduced on the Company's AM stations. EBITDA margin in fiscal 2005 increased to 37% from 31% in 2004. Management believes that this EBITDA margin is among the highest in the industry in Canada.

Television

The television segment comprises the Company's conventional television stations located in Ontario, British Columbia, Alberta and Manitoba, together with its specialty television channels. On December 1, 2004, the Company completed the acquisition of all of the shares of CMI and, on December 2, 2004, the Company completed the sale of Toronto 1 to TVA Group Inc. and Sun Media Corporation. Commencing with the Company's second quarter for fiscal 2005, the television segment includes the conventional television stations in Brandon (CKX), Calgary (CKAL), Edmonton (CKEM), Winnipeg (CHMI) and digital specialty channels MTV Canada (now Razer), MTV2 (now PunchMuch) and TV Land acquired in the CMI transaction. The following table sets out a comparison of segment performance for television stations that the Company owned during both fiscal 2005 and fiscal 2004.

Segment Summary – excluding CKAL, CKEM, CHMI, CKX, Razer, PunchMuch and TV Land (quarters not audited)

(in thousands of dollars, except percentage amounts)	Twelve Months Ended August 31, 2005	August 31, 2004	% Change	Three Months Ended August 31, 2005	August 31, 2004	% Change
Revenue	$ 449,769	$ 426,987	5.3%	$ 105,762	$ 97,229	8.8%
Operations expenses[1]	357,992	354,804	0.9%	94,734	85,481	10.8%
EBITDA	$ 91,777	$ 72,183	27.1%	$ 11,028	$ 11,748	(6.1%)

1 Commencing in the first quarter of fiscal 2005, costs associated with certain corporate activities previously borne by the television segment were charged to the Company's "Other" segment. These costs relate to services performed by CHUM corporate departments for its divisional operations and subsidiaries. During the three and twelve months ended August 31, 2005, these costs amounted to $1.3 million and $4.2 million, respectively. Operations expenses for the three and twelve months ended August 31, 2004 have been restated to reflect these amounts.

To provide a basis for comparison, the discussion on the performance of the Company's television segment excludes the impact of the CMI assets unless otherwise noted.

For the fiscal year ended August 31, 2005, television revenue increased 5.3% with the Company's specialty television stations providing the growth. During this period, advertising revenue from the Company's specialty television stations increased 13.6% and subscriber revenue increased 15.3% over last year. The increase in television revenue, combined with excellent cost control, resulted in an increase in EBITDA of 27.1% in fiscal 2005.

The television segment's most significant operations expense is purchased programming. In fiscal 2005, purchased programming amortization expense decreased by $0.5 million, compared with an increase of $2.8 million in fiscal 2004.

For the fourth quarter of fiscal 2005, television revenue increased 8.8%. Revenue growth was driven by the Company's conventional and specialty television stations. Advertising revenue for the Company's specialty television stations for the fourth quarter increased 11.9% and subscriber revenue increased 20.4% over the corresponding period last year. Advertising revenue for the Company's conventional television stations for the fourth quarter increased 3.9% over the same period last year. The absence of a Summer Olympics had a positive impact on revenue for the Company's conventional television stations in the fourth quarter.

The Company undertook a number of initiatives in the fourth quarter to enhance the competitiveness of the television segment that resulted in an increase in operating expenses in the quarter. The NewNet conventional television stations, namely, CKVR, CFPL, CHRO, CKNX, CHWI and CIVI, were rebranded as A-Channel and launched under this brand in August 2005. In June 2005, the Company, following the termination of its agreements with MTV Networks International, rebranded its youth lifestyle channel as Razer (formerly MTV Canada) and its pop music video channel as PunchMuch (formerly MTV2) (see "Corporate Developments"). Concurrent with the debut of Razer and PunchMuch, the Company also increased its advertising and promotional spend for MuchMusic, the country's pre-eminent access point for young Canadians. The implementation of these initiatives resulted in a significant increase in advertising and promotion expenses in the fourth quarter.

Sales expenses increased in the fourth quarter compared with the same period last year as a result of better revenue performance in the quarter. Purchased programming amortization expense and produced programming expense increased in the fourth quarter compared with the same period last year. The increase in operations expenses related to rebranding, advertising and promotion, sales and programming comprised approximately 81% of the total increase in operations expenses in the fourth quarter.

The advertising market for conventional television is comprised of network advertising and spot advertising (which includes regional/local advertising). Given the complement of the Company's conventional television stations, the Company competes primarily for spot advertising. The level of advertising in each segment of the overall advertising market affects the level of advertising revenue generated by the Company's conventional television stations. Management estimates that industry spot sales for the market were down 0.4% in the fourth quarter compared with the corresponding period last year. Management estimates that, in the fourth quarter, the Company's conventional television stations in Ontario and Vancouver recorded higher advertising revenue growth relative to the market. Management estimates that industry spot sales for the market were flat this year compared to last year. For the fiscal year ended August 31, 2005, advertising revenue for the Company's conventional television stations was down 2.1% compared with the same period last year. Management estimates that the Company's conventional television stations in Ontario and Vancouver underperformed the market in the year ended August 31, 2005.

CMI Stations

As at August 31, 2005, the Company had owned the former CMI stations for only three quarters. The financial performance of the conventional television stations in Brandon, Calgary, Edmonton and Winnipeg declined considerably from the date CHUM reached an agreement to acquire CMI (April 10, 2004) to the date of the closing of the acquisition (December 1, 2004). The competitive factors that have adversely affected the Company's conventional television stations have also adversely affected these acquired conventional television stations, but to a greater extent.

For the year ended August 31, 2005, management estimates that industry spot sales for the market were up in Calgary, Edmonton and Manitoba. Advertising revenue for the acquired stations underperformed their respective markets during the year, but to a lesser extent in the fourth quarter than in the second and third quarters.

Other

The third segment of the Company's business ("Other") comprises the environmental music distribution division and corporate expenses, being costs associated with the corporate activities performed by CHUM for its divisional operations and subsidiaries. Revenue in the fiscal year ended 2005 was up marginally to $11.3 million from $11.0 million compared with last year. Operations expenses were higher in fiscal 2005 primarily because of higher incentive compensation for senior management arising from the significant improvement in overall performance of the Company in fiscal 2005.

LIQUIDITY AND CAPITAL RESOURCES

Selected Cash Flow Information (quarters not audited)

(in thousands of dollars)	Twelve Months Ended August 31, 2005	2004	Three Months Ended August 31, 2005	2004
Cash flow from operations	**$ 87,430**	$ 62,201	**$ 20,440**	$ 13,424
Change in non-cash balances	**(24,968)**	(21,326)	**(4,067)**	14,243
Operating cash flow	**62,462**	40,875	**16,373**	27,667
Additions to property, plant and equipment, net	**(27,846)**	(20,385)	**(8,353)**	(6,093)
Dividends paid	**(3,081)**	(3,021)	**(2,453)**	(2,399)

Over the course of a fiscal year, the Company expects to finance its working capital, capital expenditures and dividends from cash flow from operations. However, as a result of the seasonal nature of the Company's business, the Company expects to draw on its credit facility to finance the timing differences in its cash flow.

During the fiscal year 2005, the Company improved its cash flow from operations through increased net earnings and lower cash taxes resulting from the use of non-capital losses arising from the acquisition of CMI. The change in non-cash balances was adversely affected by the $10.3 million payment made in the fourth quarter to MTV Networks International following the termination of its agreements with CMI.

In the fourth quarter of fiscal 2005, total net expenditures of $8.4 million to acquire property, plant and equipment were up $2.3 million from the corresponding period last year. For the fiscal year 2005, such expenditures were up $7.5 million from fiscal 2004. The following table shows fixed asset expenditures in each of the last four fiscal years. Figures in parentheses show capital expenditures as a percentage of revenue for the segments and for the Company.

(in thousands of dollars, except percentage amounts)	Twelve Months Ended August 31, 2005		Twelve Months Ended August 31, 2004		2003		2002	
Television	**$ 22,422**	**(4.6%)**	$ 17,023	(4.0%)	$ 16,656	(4.1%)	$ 31,643	(8.9%)
Radio	**4,520**	**(3.4%)**	2,709	(2.2%)	3,583	(3.0%)	4,939	(4.4%)
Other	**904**	**(8.0%)**	653	(5.9%)	1,365	(11.7%)	1,852	(15.7%)
Total	**$ 27,846**	**(4.4%)**	$ 20,385	(3.6%)	$ 21,604	(4.0%)	$ 38,434	(8.1%)

In fiscal 2005, the most significant capital expenditures in the radio and television segments pertain to leaseholds, computer hardware and software, broadcasting equipment maintenance and upgrades and building and facilities upgrades. The capital expenditures for the radio segment also include the capital costs of launching the new radio station in Edmonton. Significant capital expenditures in the television segment include building restoration at 299 Queen Street West, master control upgrades and production control room replacements. The primary capital expenditure in the Other segment relates to a Company-wide upgrade to the email system.

CAPITAL STRUCTURE AND FINANCING

As at October 28, 2005, there were 6,748,030 Common Shares and 21,378,929 Non-voting Class B Shares outstanding. The number of Non-voting Class B Shares outstanding increased by 659,827 on February 15, 2005 as a result of the closing of the acquisition by the Company of the minority interest in LTA (see "Corporate Developments").

Composition of Capital Structure (quarters not audited)[1]

(in thousands of dollars)	November 30, 2004	February 28, 2005	May 31, 2005	As at August 31, 2005	2004	2003	As at August 31, 2002
Shareholders' equity	**$ 444,492**	**$ 470,076**	**$ 493,282**	**$ 484,807**	$ 423,251	$ 389,240	$ 263,808
Non-controlling interest	**4,247**	**462**	**469**	**377**	3,697	2,075	1,608
Long-term debt	**139,753**	**329,648**	**327,948**	**319,563**	131,561	125,963	247,678
Current portion of long-term debt	**215**	**1,423**	**1,425**	**1,791**	210	192	175
	$ 588,707	**$ 801,609**	**$ 823,124**	**$ 806,538**	$ 558,719	$ 517,470	$ 513,269

1 For November 30, 2004, February 28, 2005 and May 31, 2005

Composition of Capital Structure (%)

	November 30, 2004	February 28, 2005	May 31, 2005	As at August 31, 2005	2004	2003	As at August 31, 2002
Shareholders' equity	**75.5%**	**58.6%**	**60.0%**	**60.1%**	75.8%	75.2%	51.4%
Non-controlling interest	**0.8%**	**–**	**–**	**–**	0.7%	0.4%	0.3%
Long-term debt	**23.7%**	**41.1%**	**39.8%**	**39.6%**	23.5%	24.4%	48.3%
Current portion of long-term debt	**–**	**0.3%**	**0.2%**	**0.3%**	–	–	–
	100.0%	**100.0%**	**100.0%**	**100.0%**	100.0%	100.0%	100.0%

The size of the Company's consolidated balance sheet increased significantly during the second quarter of this year primarily as a result of the closing of the CMI acquisition on December 1, 2004. The CMI acquisition was financed with bank debt that resulted in the increase in debt during the second quarter. The reduction in non-controlling interest in the second quarter resulted from the acquisition by the Company of the 40% interest in LTA it did not already own.

Management believes that the book value measures of capital structure set out in the table above should be complemented by cash flow measures of the Company's ability to service its debt. Management believes that the ratio of consolidated net debt to EBITDA and EBITDA to net interest expense are key measures used by lenders and investors in determining a Company's financial strength. The following table shows these measures for the Company:

	November 30, 2004	February 28, 2005	May 31, 2005	As at August 31, 2005	As at August 31, 2004
Net debt	**$ 131,153**	**$ 331,071**	**$ 322,850**	**$ 321,354**	$ 113,861
Net debt/EBITDA*	**1.28:1**	**3.08:1**	**2.61:1**	**2.75:1**	1.24:1
EBITDA/net interest expense*	**16.51:1**	**12.95:1**	**14.36:1**	**9.64:1**	14.67:1

* These numbers are calculated on a trailing twelve-month basis where EBITDA and net interest expense for each quarter in fiscal 2005 are added to these numbers for the fiscal year ended August 31, 2004 and the EBITDA and net interest expense for the corresponding quarters last year are deducted from these numbers for the fiscal year ended August 31, 2004.

As previously reported in the Company's MD&A for the six months ended February 28, 2005 ("Q2MD&A"), on December 1, 2004, the Company signed an agreement for a new $500 million, five-year revolving, unsecured credit facility. The facility was successfully syndicated to a group of Canadian and international lenders. The Company's credit agreement contains a number of covenants requiring the Company to maintain certain financial ratios. The Company is in compliance with all such covenants and expects to continue to be so based on management's current view of the future performance of the Company.

CONTRACTUAL OBLIGATIONS

Contractual Obligations Due by Period

(in thousands of dollars)	Total	Sept. 1/05 to Aug. 31/06	Sept. 1/06 to Aug. 31/08	Sept. 1/08 to Aug. 31/10	Sept. 1/10 and beyond
Long-term debt	$ 321,354	$ 1,791	$ 1,666	$ 317,897	$ –
Operating leases	42,328	9,005	14,568	7,382	11,373
Program and film rights obligations	168,832	134,234	29,249	5,349	–
Total contractual obligations	$ 532,514	$ 145,030	$ 45,483	$ 330,628	$ 11,373

These contractual obligations arise in the ordinary course of the Company's business. Management expects that these obligations will be met from the Company's operating cash flow and credit facility.

OUTLOOK FOR FISCAL 2006

Management believes that the Company's radio stations are facing a challenging environment in fiscal 2006. Management expects the rate of growth in radio industry advertising to slow in fiscal 2006 compared with fiscal 2005. In addition, the Company's radio stations in Edmonton, Ottawa and Halifax will face increased competition in fiscal 2006 from new stations expected to be launched during the year. One of these competitors has already launched in Halifax.

Management estimates that industry demand for television spot advertising will be up marginally in fiscal 2006. However, management believes that the Company's conventional television stations will continue to operate in a challenging competitive environment in fiscal 2006. The Company's main competitors in conventional television, who operate either a larger station group or network, have the ability to reach a greater audience and generate higher advertising revenue through their purchase of stronger programming that garners higher ratings compared with the Company's conventional television stations. In addition, the return of NHL Hockey and the Winter Olympics is expected to shift advertising dollars away from the Company's conventional television stations to those stations broadcasting coverage of these events. While management believes that the program schedule for Fall 2005 on its conventional television stations has improved over Fall 2004, overall, management expects advertising revenue growth on its conventional television stations to be modest.

Management expects continued momentum in industry growth of specialty television advertising revenue. However, management expects that MuchMusic and Bravo! may experience slower growth in advertising revenue in fiscal 2006 as a result of possible lower ratings during a transition period in the program schedule of these channels.

Program amortization expense represents one of the largest operating expenses in the television segment. This expense is expected to increase in fiscal 2006 as a result of higher foreign-acquired program costs and an increase in investment in programming produced by the Company on certain of its specialty television channels.

Overall, management believes that its business mix provides a platform for long-term growth in profitability, but that gains in 2006 are expected to be modest.

Off-Balance Sheet Transactions

The Company does not have any material off-balance sheet transactions.

Transactions with Related Parties

The acquisition by the Company of the minority interest in LTA was a related party transaction. The details of this transaction are set out under "Corporate Developments."

CORPORATE DEVELOPMENTS

As previously reported, on February 16, 2004, the Company filed an application with the Canadian Radio-television and Telecommunications Commission ("CRTC") for a broadcasting licence for CHUM Subscription Radio Canada ("CSRC"), a national terrestrial subscription digital radio service. On September 20, 2004, the Company announced that Astral Media Inc. ("Astral") had agreed to partner in the service. A hearing was held during the week of November 1, 2004 in respect of the Company's application for this licence and the applications of two competing services.

On June 16, 2005, the CRTC released its decision to license CHUM/Astral's proposed digital subscription radio service, along with the two U.S.-supported satellite services. On July 12, 2005, CHUM/Astral, in conjunction with other media companies, filed a Notice to Appeal to the Governor in Council to set aside the decisions pertaining to the U.S.-supported services on the basis that the conditions of licence outlined in such decisions are inconsistent with the broadcasting policy for Canada outlined in Section 3(1) of the *Broadcasting Act* and, on August 2, 2005, a formal Petition to the Governor in Council was filed with the Clerk of the Privy Council. On September 9, 2005, following certain concessions relating to Canadian and French-language programming made by the two satellite services, the Governor in Council upheld the CRTC decision. The Company is still in the process of reviewing whether to proceed with launching this service.

As previously reported in the Q2MD&A, on December 1, 2004, the Company completed its purchase of all of the shares of CMI, which includes the three conventional television stations in Edmonton, Calgary, and Winnipeg (formerly known as A-Channel); CKX, a CBC-affiliate station in Brandon; digital specialty channels MTV Canada (now Razer), MTV2 (now PunchMuch) and TV Land; and local station Toronto 1, for $265 million (less a working capital adjustment of $2.2 million) on a debt-free basis.

As previously announced on November 19, 2004, a condition of the CRTC's approval for the purchase of CMI was that the Company divest itself of Toronto 1. On December 2, 2004, the Company completed its sale of Toronto 1 to TVA Group Inc. and Sun Media Corporation, both subsidiaries of Quebecor Media Inc., for the price of $46 million (less a preliminary working capital adjustment of $3.5 million) on a debt-free basis. As part of the transaction, the Company obtained Sun Media's 29.9% ownership interest in southern Ontario cable news channel, CP24, valued at $8 million, increasing the Company's ownership of the channel to 100%.

The Company completed a final purchase price allocation for the CMI acquisition, as set out in note 6 of the audited consolidated financial statements for the year ended August 31, 2005. The purchase price allocation as disclosed in the second and third quarter consolidated financial statements was preliminary.

On May 10, 2005, the Company announced the termination by MTV Networks International of its agreements with CMI and the resultant rebrand of the digital channels acquired by the Company in its purchase of CMI, MTV Canada, a youth culture channel, and MTV2, a music video channel, effective June 30, 2005. Under the terms of its original joint venture and licensing agreements with CMI, MTV Networks International had the right to terminate such agreements upon a change of control in the entity that owned and operated MTV Canada and MTV2.

As a result of such termination, on June 16, 2005, the Company was required to pay to MTV Networks International $10.3 million, representing the licence fees remaining under the terms of the agreements. This sum was included within the Company's assessment of the value of CMI when the Company was considering the acquisition of that corporation. In addition, MTV Networks International will no longer have the option to acquire an equity interest in MTV Canada and MTV2, rebranded on June 30, 2005 as Razer and PunchMuch, respectively.

As mentioned previously, on February 15, 2005, the Company announced the closing of its purchase of all of the shares held by the minority shareholders of LTA, increasing CHUM's ownership of LTA from 60% to 100%. The purchase price for the LTA shares was approximately $32 million, payable by way of $8 million in cash and the issuance of 659,827 new Non-voting Class B Shares of CHUM. The first $16 million of Non-voting Class B Shares were valued at $35.27 per share, being the volume weighted average closing price of such shares on the TSX for the five trading days prior to the closing date, and the remaining $8 million of Non-voting Class B Shares were valued at $38.80 per share, representing a 10% premium to that price. The purchase price was determined by the vendors and the Company based on an independent valuation.

The minority shareholders of LTA who sold their LTA shares to CHUM were: Olympus Management Limited ("Olympus"), a corporation wholly owned by Moses Znaimer, which held a 20% interest in LTA; 1006228 Ontario Inc. ("1006228"), a corporation controlled by Ronald Keast, who, at the time, was President and Chief Executive Officer of LTA and Peter Palframan, a senior officer of LTA and CHUM, which held a 15.5% interest in LTA; and Jay Switzer, a director and President and Chief Executive Officer of CHUM, who held a 4.5% interest in LTA.

For purposes of Ontario Securities Commission Rule 61-501 – *Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions* ("**Rule 61-501**") and Policy Q-27 – *Protection of Minority Securityholders in the Course of Certain Transactions* of l'Autorité des marchés financiers (Quebec) ("**Policy Q-27**" and, together with Rule 61-501, the "**Special Transaction Rules**"), Olympus, 1006228, Jay Switzer, the sole shareholder of Olympus (Moses Znaimer) and the major shareholders of 1006228 were, at the time, "related parties" of CHUM and the transaction was therefore a "related party transaction," as defined in the Special Transaction Rules. The transaction was exempt from the requirements of the Special Transaction Rules to obtain a formal valuation and to obtain approval from a majority of the minority of CHUM's shareholders because the fair market value of the consideration did not exceed 25% of CHUM's market capitalization.

The final purchase price allocation for LTA is set out in note 6 of the audited consolidated financial statements for the year ended August 31, 2005.

In March 2005, the Company appeared before the CRTC to present its application for an innovative new FM radio station in Vancouver (PlanetRadio) featuring modern, global music. On July 21, 2005, this application was denied.

In June 2005, the Company appeared before the CRTC to present its application for a new Soft Adult Contemporary FM radio station in Woodstock, Ontario. On August 25, 2005, this application was denied.

In July 2005, the Company filed an application for a broadcasting licence to operate a new FM radio station in Calgary, Alberta. The CRTC is expected to hold a hearing to consider the Company's application and those of other competing applicants in Winter/Spring 2006.

OTHER DEVELOPMENTS

Labour Matters

New collective agreements are in place with the Communications, Energy and Paperworkers Union of Canada ("CEP"), representing bargaining unit employees at the Company's television stations at A-Channel London, A-Channel Barrie/Toronto and Citytv Toronto. The agreement for A-Channel London expires on August 31, 2006; the agreement for A-Channel Barrie/Toronto expires on February 28, 2006 and the agreement for Citytv Toronto expires on October 31, 2006. A new agreement has been approved with the membership at Citytv Vancouver and expires on August 31, 2006. In Edmonton, the Company's employees at Citytv Edmonton (formerly A-Channel) who were previously represented by CEP, recently voted to be represented by the International Brotherhood of Electrical Workers ("IBEW") for their next collective agreement. On October 31, 2005, the Company will begin its negotiations with IBEW in respect of the collective agreement that will cover employees who are members of the bargaining unit in Edmonton, including those of LTA, who were previously represented by IBEW. CHUM believes its relations with its employees are on good terms.

Digital Radio

CHUM Limited is a member of Digital Radio Roll-Out Inc. ("DRRI"), the Canadian digital radio consortium of private and public broadcasters mandated to implement full time digital audio broadcasting ("DAB") services utilizing Eureka 147 technology in the L-Band. DAB services are operating in Toronto, Vancouver, Montreal and Windsor, making digital radio available to over 10 million people. While CHUM was among the successful applicants who received approval for transitional Digital Radio Undertaking ("DRU") licences for Ottawa, these new DRU facilities have not yet been constructed.

Effective January 1, 2004, DRRI has been reorganized to aggressively address the policy and regulatory issues fundamental to the further advancement of digital audio broadcasting in Canada. This new mandate, under the auspices of the Canadian Association of Broadcasters ("CAB"), is focused on issues such as separate programming, stand-alone DAB operations, spectrum utilization, service reliability issues and the challenges of competitive digital technologies.

While DAB will be among the issues for discussion at the coming CRTC Radio Policy Review (now expected to be announced sometime in 2006), the implementation of DAB is guided by the CRTC's Policy For Transitional Digital Radio Undertakings introduced on October 29, 1995. Under its terms, the CRTC will establish a long-term policy and licensing regime for DRUs following completion of an appropriate public process, separate from the proposed Radio Policy Review. The Company will continue to provide critical input to each of these important public hearings, working closely with DRRI and the CAB.

Regulatory Developments

In general, CHUM participates in copyright royalties/tariffs and rights issues through its membership in the CAB, the national voice of Canada's private broadcasters, representing the vast majority of Canadian programming services, including radio and television stations, networks, and specialty, pay and pay-per-view services.

Radio Tariffs

In May and June 2004, the Copyright Board considered tariff proposals from SOCAN and NRCC to increase royalty rates payable by private radio by up to 87% and over 300%, respectively. The proposed tariff term is for 2003–2007. The CAB had previously settled an agreement continuing the longstanding commercial radio rates and terms with SOCAN for 1998–2002. The NRCC's most recent tariff was set by the Copyright Board in 1999 for 1998–2002. In this year's tariff proceeding, SOCAN and NRCC each took the position that the value and use of music have increased for private radio stations in recent years. The CAB vigorously opposed any increase to the tariffs and proposed decreases to both tariffs. In addition, the CAB argued that the "all talk rate" currently available under the NRCC tariff be extended to the SOCAN tariff as well. As part of its case,

the CAB argued that paying and administering multiple copyright payments to SOCAN, NRCC and Canadian Musical Reproduction Rights Agency ("CMRRA") and the Société du droit de reproduction des auteurs, compositeurs et éditeurs au Canada ("SODRAC") is a real burden on stations.

On October 14, 2005, the Copyright Board issued its decision. For the years 2003–2007, the Copyright Board changed the structure of the tariffs under which royalties are payable to SOCAN and the NRCC, consolidating two tariffs into one, and increased the level of royalties payable. Under the new tariff, radio stations must pay a royalty of 3.2% of advertising revenues to SOCAN, the pre-2003 rate, on their first $1.25 million of revenue, and 4.4% of advertising revenues over that amount. Stations that broadcast music from SOCAN's repertoire less than 20% of the time ("low-use stations") must pay a royalty of 1.5% of advertising revenues to SOCAN on all such revenues. With respect to the NRCC, under the *Copyright Act*, radio stations are only liable to pay $100 on their first $1.25 million of advertising revenue. On revenues over $1.25 million, radio stations must pay a royalty of 2.1%. Low-use stations must pay a royalty of 0.75% of advertising revenues.

The Company is responsible for the increase in royalties under the new tariff dating back to January 1, 2003. This liability amounts to approximately $2.6 million. As mentioned above, as at August 31, 2005, the Company had expensed the full amount of this liability. Under the tariff, retroactive royalties are to be paid in 24 equal installments, on an interest free basis, beginning in January 2006.

In March 2004, the CMRRA and SODRAC filed a commercial radio tariff proposal to continue the current (2001–2004) rates and terms for 2005. The CAB successfully negotiated a settlement to continue these rates through to the end of 2006.

Legislative Reform

In June 2001, the Government initiated the Section 92 review (mandatory review of the *Copyright Act*) with a copyright reform consultation process, in which CHUM, through the CAB, has been an active participant. In its submission filed with the Standing Committee on Heritage, the CAB urged the rapid introduction of a complete exemption from copyright reproduction liability for radio stations (the basis of the CMRRA-SODRAC tariff), a statutory exemption from the private copying regime and the introduction of an exclusive right for broadcasters in their signals. In general, the CAB is lobbying for a better balance in the *Copyright Act* between users and creators.

In June 2005, Parliament introduced Bill C-60 – *An Act to Amend the Copyright Act*. This bill is the next step in the copyright reform process. The Bill has received first reading in the House of Commons, but has not moved past this stage. The Company continues to work with the CAB to ensure its interests are represented in this important area.

RISK FACTORS

The broadcasting business is subject to a number of risks and uncertainties discussed below. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations. If any such risks occur, the Company's business, financial condition and operating results could be materially adversely affected.

Impact of Regulation

Substantially all of the Company's business activities are regulated by the Canadian Federal Departments of Industry and Heritage under the supervision of Industry Canada and the CRTC and, accordingly, the Company's results of operations are affected by changes in regulations and decisions by these regulators. Such regulation relates to, among other things, licensing requirements for both the Company's radio and television stations. The CRTC released its transitional digital television licensing policy, covering issues such as priority carriage and simultaneous substitution. The Company believes that the digital television

licensing policy provides a positive framework for the introduction of digital television broadcasting in Canada. The Commercial Radio Policy 1998 was also intended for review after five years. The Company expects a CRTC review sometime next year to involve issues such as multiple licence ownership, Canadian content and contributions to the development of Canadian talent. The CRTC is also monitoring the ongoing transition or migration of analog to digital, as well as the introduction of interactivity.

Changes in the regulation of the Company's business activities, including decisions by regulators affecting the Company's operations (such as the granting or renewal of licences or amendments to existing licences, or granting of additional distribution, broadcasting or programming licences to competitors in the Company's markets) or changes in interpretations of existing regulations by courts or regulators, could adversely affect the Company's revenues.

The Company's radio and television broadcast licences continue to be in good standing and the Company continues to satisfy the conditions of its broadcast licences. However, it is impossible to predict forthcoming changes in policies and regulations that could affect the competitive capability and business strategies of the Company. The Company's CRTC licences must be renewed from time to time and cannot be transferred without regulatory approval.

Dependency on Advertising Revenues

The Company depends on advertising as a material source of its revenue and its business would be adversely affected by a material decline in the demand for local and/or national advertising. The Company derived approximately 72% of its revenue in the twelve months ended August 31, 2005 from the sale of advertising, which is expected to continue to be a material source of the Company's revenue in the future. Advertising revenue fluctuates in response to consumer confidence, general economic conditions, a changing regulatory environment and viewership and, as a result, remains unpredictable. Most of the Company's advertising contracts do not extend beyond 12 months, and some may be terminated by the advertiser on four weeks' notice. It is also well established that advertising dollars migrate to media properties that are leaders in their respective markets and categories when advertising budgets are tightened. Continued weakness and/or instability in the global economy could cause a further decline in future advertising revenue.

In addition, expenditure by advertisers tends to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns outside of the Company's control. Although the majority of the Company's advertising revenue is derived from national advertising, its ability to generate local advertising revenue in specific markets could be adversely affected by local or regional economic downturns. Advertisers base a substantial part of their purchasing decisions on statistics such as ratings generated by industry associations or agencies. If the Company's ratings were to decrease substantially, the Company's advertising sales volumes and the rates that it charges advertisers could be adversely affected.

Dependency on Broadcasting Distribution Undertakings

The Company is, and will, continue to be dependent on broadcasting distribution undertakings ("BDUs") (which include cable, direct-to-home satellite and multi-point distribution system distributors) for distribution of its conventional broadcast stations as well as its analog and digital specialty television services. As a result of industry consolidation in recent years, five BDUs generated approximately 83% of the Company's distribution revenues for specialty services for fiscal 2005.

Approximately 78% of the Company's distribution revenue is derived from licensed analog specialty services that have analog or equivalent rights of access to BDUs under the *Broadcasting Distribution Regulations*. There can be no certainty that such access rights will continue unchanged. The CRTC in January 2005 (Broadcasting Public Notice CRTC 2005-1) commenced a public process that called for proposals for a framework to guide the migration of pay and specialty services from analog to a digital distribution environment. Key to the call for proposals was the requirement that they be consistent with the need to contribute to the attainment of the objectives of the *Broadcasting Act*. This proceeding was combined with a call for comments on

a proposed framework for high-definition ("HD") pay and specialty services (Broadcasting Public Notice CRTC 2004-58). CHUM and other interested parties participated in this proceeding by filing initial comments on April 21, 2005 and reply comments on May 12, 2005.

Given that the transition to digital distribution will impact the future success of programming services and BDUs alike, Canada's major broadcasters – CHUM, CTV Inc., Corus Entertainment Inc., Alliance Atlantis Broadcasting Inc., Astral Broadcasting Group Inc., Global Television Network Inc. and Rogers Broadcasting Limited – and Rogers Cable Communications Inc., Canada's largest BDU, developed a consensus position and memorandum of understanding on the rules that should govern the transition from analog to digital, as well as a policy framework that should apply to the distribution of high definition services. The submission by all these parties encouraged the CRTC to adopt these transition and HD principles so that they may serve as a template for other BDUs. Although the CRTC has not yet made its determination in this regard, it is expected that cable subscribers will in the future have expanded choice, both in terms of the number of channels and the manner in which they subscribe to them. This will, for example, include retaining their value tiers or choosing from themed tier offerings.

As programmers and distributors transition to a more consumer choice-driven model, the success of an individual analog service will be dependent on its wholesale pricing structure, the attractiveness of the programming offered, the packaging of the service by the BDU, the resultant penetration and viewership of the services and the attendant advertising revenues.

BDUs offering programming services to the public using digital distribution technology are required by the CRTC to distribute the Category 1 digital specialty services; however, distribution for Category 2 digital specialty services must be negotiated with each individual BDU. The Category 1 and Category 2 distribution revenues accounted for approximately 22% of the Company's total distribution revenues from specialty services in fiscal 2005. If any of the Company's distribution agreements for its specialty services are terminated or it is unable to renew agreements at least comparable to current terms, there could be a negative impact on digital subscription revenues.

Specialty Television Industry

There can be no assurance of the economic success of any specialty television channel as revenues derived depend on distribution and packaging arrangements, subscriber penetration and audience and advertiser acceptance – none of which can be accurately predicted. Factors determinative of the success of a specialty television channel include not only the specialty television service's content, but also the reviews of critics, marketing and promotions, the quality and acceptance of other competing services, black market satellite signal theft, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors. Many of the factors determinative of the success of a specialty television channel could change rapidly and some are beyond the Company's control.

The success of the Company's digital specialty services depends, to a significant extent, on a sufficient number of subscribers to the services. Distribution of the Company's Category 1 and Category 2 specialty services is limited to only digital subscribers. Subscription revenues are dependent upon the number of households equipped to receive digital service and the corresponding subscription levels and wholesale rates for these digital services. The initial subscriber base for digital services may be limited and the rate and extent to which the subscriber base will grow is uncertain. There can be no assurance that penetration rates that ensure the profitability of these services will be achieved. If penetration rates for these services do not reach acceptable levels, the Company's strategy for expanding its digital specialty channel business and its digital revenues may be adversely affected. Further, the success of the Company's Category 1 and Category 2 services may be dependent on how these services are bundled or packaged by the BDUs with other digital specialty services in order to offer subscribers attractive and affordable programming packages.

Competition

The Company's businesses face competition from entities using other communication technologies and may face competition from other future technologies being developed. The media industry is experiencing rapid and significant technological changes, which may result in alternative means of program and content transmission and which could have a material adverse effect on the business, financial condition or results of operation of the Company. For example, the continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Further, in each of the Company's broadcasting markets, industry regulators have authorized DTH and cable services, and, in some markets, MDS, and may authorize other alternative methods of transmitting television, radio and other content with improved speed and quality. The Company may not be able to successfully compete with existing or newly developed alternative technologies or may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and the Company's ability to fund such implementation may be limited and could have a material adverse effect on its ability to successfully compete in the future. The Company's conventional and specialty television services also face competition from the illegal "grey market" and "black market" satellite services that broadcast unauthorized programming. The Company also faces competition for viewers from an expanded array of video-on-demand offerings from BDUs and increased DVD sales of series-based programming.

Competition by other broadcasters is ever-present and may be increased if the CRTC issues any new broadcast licences in an area where the Company currently holds a radio or television broadcast licence. In each of the Company's current markets, there are a number of competing radio stations and television channels. Recent regulatory and public policy trends favour the emergence of a more competitive environment. Added competition in the market could result in fragmented and/or reduced sales and/or an increase in costs to acquire programming and, consequently, have a negative impact on the Company's revenues. In particular, the specialty television industry in Canada is highly competitive. The number of specialty services licensed by the CRTC has substantially increased since 2000. This will have the effect of further fragmenting the television viewing audience and increasing competition for carriage, viewers, programming and advertising revenue.

In addition, as mentioned above, the CRTC recently licensed two U.S.-based satellite radio services, which, once launched, will have the potential to compete for audiences in markets served by the Company's radio stations due to the wide variety of specialized programming offered by such services. However, the Company does not expect an immediate impact from the introduction of such services as a result of the time that will be required for these services to attract subscribers and attain wide listenership. Moreover, as these services are prohibited from carrying local programming content and selling local advertising, the Company expects that its radio stations will sustain their competitive advantage as local broadcasters in their local markets.

Constraints on Shares

The Company's ability to raise capital in the future may be affected by the constraints in the Company's articles of incorporation on the issue and transfer of the Company's shares which are required to ensure that the Company maintains the necessary levels of Canadian ownership for regulatory purposes and other legislation under which the Company derives the benefit of tax credits and industry incentives.

Significant Shareholder

Members of the Waters family directly and indirectly control approximately 88% of the Company's Common Shares – the only class of shares carrying the right to vote in all circumstances. As a result, this group, whose interests as shareholders may not always correspond with those of the other shareholders, is in a position to significantly influence the operations and strategy of the Company. In addition, such control may limit the interests of others in investing in the Company. In the event that this group ceases to own directly or indirectly at least $66^2/_3$% of the votes attached to the Common Shares or if any person other than this group acquires, directly or indirectly, 30% of the Common Shares, an event of default under the Company's credit agreement could be triggered, along with certain obligations under other agreements, including certain employment agreements with certain senior executives.

Debt Financing

The Company's debt financing is subject to possible risk. Cash flow from operations may not be sufficient to meet payments of principal and interest. Based on cash flow from operations for fiscal 2005 and management's expectations for cash flow from operations in fiscal 2006, the Company does not anticipate any difficulties in meeting any such payments. The loan terms involve floating interest rates which cause some uncertainty and could result in a risk that such rates could ultimately become uneconomical. The Company monitors interest rate developments and intends to consider actively managing interest rate risk. The Company's credit agreement contains covenants imposing certain limitations on the Company's ability to acquire and dispose of assets, not unusual in agreements of this nature. While such covenants have sufficient flexibility to allow for ordinary course acquisitions and dispositions consistent with past operations, consent of the Company's lenders may be required for acquisitions out of the ordinary course. The Company anticipates that it will be able to repay and refinance the existing indebtedness when it falls due, but there can be no assurance that the Company will be able to do so or that the terms of such refinancing will be favourable.

Television Program Productions

Each production of a television program is an individual artistic work and its commercial success is determined primarily by audience acceptance, which cannot be accurately predicted. Audience acceptance is a factor not only of the response to artistic components of a television program, but also to the type and extent of promotion and marketing activities, the quality and acceptance of other competing programs, general economic conditions and other factors, all of which can change rapidly and many of which are beyond the Company's control. Therefore, economic success of any production is not assured.

Production of television programs requires a significant amount of capital. Factors such as labour disputes, technology changes or other disruptions affecting aspects of production may affect the Company and cause cost overruns and delay or hamper completion of a production. From time to time, the Company may provide loans for television programming, which meets applicable Canadian content requirements. There is no assurance that these loans will be repaid.

Disclosure Controls and Procedures

As at the financial year ended August 31, 2005, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at August 31, 2005 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities.

Accounting Policies

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company's significant accounting policies are set out in note 1 of the audited consolidated financial statements for the year ended August 31, 2005. During the year ended August 31, 2005, the Company adopted Accounting Guideline 15 ("AcG-15"), "Consolidation of Variable Interest Entities" ("VIEs"). AcG-15 provides criteria for the identification of VIEs and further criteria for determining what entity, if any, should consolidate them. AcG-15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinate financial support or one in which the equity investors lack the characteristic of a controlling financial interest. VIEs are subject to consolidation by a company if that company is deemed the primary beneficiary of the VIE. The primary beneficiary is the party that is either exposed to a majority of the expected losses from the VIE's activities or is entitled to receive a majority of the VIE's residual returns or both. Management has reviewed entities that qualify as VIEs of the Company and determined that it is not the primary beneficiary of any of these VIEs.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Canadian Securities Administrators define critical accounting estimates as those requiring assumptions to be made about matters that are highly uncertain at the time the estimates are made, and when the use of different reasonable estimates that could have been used or changes to the accounting estimates that are reasonably likely to occur from period to period would have a material impact on a company's financial condition, changes in financial condition or results of operations. Based on this definition, the Company has identified the following critical accounting estimates set forth below that it evaluates on an ongoing basis:

Program Rights

Program right assets representing the right to broadcast feature films and television programs and related liabilities are recorded when the program cost is reasonably determinable, the licence period has begun and the program material is available for telecast or resale. Such costs are allocated between current and non-current assets using management's estimate of usage or recovery in the next fiscal year. Program rights are reported at the lower of net amortized cost and net realizable value.

The costs of broadcast rights are amortized over the period of the rights contract on the basis of usage. Where the initial airing generates more benefit to the television channel than later airings, an accelerated method of amortization is used. The amortization rates range from 35% to 100% on the first airing. If each airing is expected to generate similar benefit, the straight-line method of amortization is used based on the expected number of airings during the rights period.

Liabilities for program rights are payable in instalments in accordance with the licence agreements or on the basis of usage of the program material. The liability is segregated between current and non-current using payment terms and management's estimate of usage in the next fiscal year.

Program rights include investment in films that the Company has produced or for which it has acquired distribution rights. Costs include all production costs that are expected to be recovered from exploitation, exhibition or licensing and are capitalized and amortized using the individual film forecast method. Advances or contributions received from third parties to assist in development are deducted from these costs.

The valuation of investments in films is reviewed on a title-by-title basis. When circumstances indicate that the fair value, as determined by management's estimate of discounted future cash flows, is less than unamortized cost, a writedown of the unamortized cost to fair value is recorded.

In determining the future cash flow for a title for which the Company has only broadcast rights, management makes assumptions about the time slot in which the title will be aired and the expected rating of the title in such time slots. When the Company owns the rights to distribute a title across multiple distribution platforms and geographies, management determines the fair market value of the title by discounting the cash flow from all potential sources of revenue related to distributing the title.

Goodwill and Broadcast Licences

Goodwill and broadcast licences with indefinite lives are not subject to amortization and are tested annually for impairment or more frequently when circumstances indicate that they might be impaired. The estimated fair values of broadcast licences are compared to the carrying values and an impairment loss recognized for the excess.

The Company compares the unit's carrying value (including any goodwill) to its fair value. In performing the annual impairment testing of goodwill, management makes a number of assumptions in determining fair value. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between willing parties. The Company uses a market approach or discounted cash flow approach to compare a reporting unit's book value to the value ascribed to the unit using earnings and cash flow based valuation metrics. If the assumptions or valuation techniques used in performing these tests prove to be inaccurate or different, an impairment provision could be required in the future.

Post-employment Benefits

The Company has a defined benefit pension plan available to all full-time employees of CHUM Limited and defined contribution pension plans available to all full-time employees of CHUM Television Vancouver Inc. and certain former employees of CMI.

The cost of providing benefits through defined benefit pensions is actuarially determined and recognized in earnings using the projected benefits method pro-rated on service. Differences arising from plan amendments, changes in assumptions and experience gains and losses are recognized in earnings over the expected average remaining service life of employees. The cost of providing benefits though defined contribution pension plans is charged to earnings when contributions become payable.

Actuarial gains and losses that fall outside a corridor defined as the greater of (a) 10% of the accrued benefit obligation and (b) 10% of the fair market value of the plan assets at the beginning of the year are amortized over the average remaining service period of active employees on a straight-line basis.

The expected return on plan assets is based on the fair value of plan assets.

Key assumptions include the discount rate, the expected long-term rate of return on plan assets and the rate of compensation increase, all of which are set out in note 10 of the Company's audited consolidated financial statements for the year ended August 31, 2005.

The discount rate assumption used to calculate the present value of the plans' projected benefit payments was determined using a measurement date of August 31, 2005 and based on yields of long-term high-quality fixed income investments. The expected long-term rate of return on pension plan assets was obtained by calculating a weighted average rate based on targeted asset allocations of the plans. The expected returns of each asset class are based on a combination of historical performance analysis and forward-looking views of the financial markets. The targeted asset allocation of the plans is generally 60% for equity, 35% for fixed income securities and 5% for real estate. The rate of salary escalation is used to project current

plan earnings in order to estimate pension benefits at future dates. The Company believes that the assumptions are reasonable based on information currently available, but changes to these assumptions could impact pension benefit expenses and obligations recognized in future periods.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for future income tax consequences attributable to the differences between financial statement carrying values and income tax bases of assets and liabilities. Future income tax assets and liabilities are measured using the substantively enacted income tax rates relating to the period in which management expects they will be settled. The effects of changes in substantively enacted income tax rates on future income tax assets and liabilities are recognized in income in the period the income tax rate is substantively enacted. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies.

Accrued Liabilities and Contingencies

Accrued liabilities for integration costs, retroactive regulatory rulings, legal issues and other contingencies are established, on the basis of estimates and assumptions that are based on management's best estimate of the probable outcome and resolution of these matters.

While management believes that these accrued liabilities are adequate, the use of different assumptions or estimates could have a significant impact on the Company's results of operations and financial condition.

Supplementary Measures

In addition to providing earnings measures in accordance with GAAP, the Company also includes the following measures in this Annual MD&A that do not have a standardized meaning under GAAP and may not be comparable to similar measures presented by other companies:

- EBITDA – defined as earnings before interest, income taxes, other income, depreciation, asset writedowns and non-controlling interests.

  EBITDA is provided to assist the reader in determining the Company's ability to generate cash from operations and to cover financial changes on a pre-tax basis. It is also widely used for valuation purposes.

- EBITDA margin – defined as the ratio obtained by dividing EBITDA by revenues.

  EBITDA margin provides an indication of the Company's ability to convert revenues to cash from operations on a pre-tax basis.

- Cash flow from operations – defined as cash flow from operating activities before the change in non-cash operating balances.

  Cash flow from operations provides an indication of the Company's ability to generate cash flow without considering timing and other factors causing variations in non-cash items.

- Cash flow per share – defined as cash flow from operations divided by the weighted average number of shares outstanding for the period.

Since these measures are calculable from the Company's consolidated financial statements, reconciliation to GAAP measures is not presented separately.

Management's Report

The consolidated financial statements and other information contained in this annual report are the responsibility of the management of CHUM Limited.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgments. Financial and other information contained elsewhere is consistent with these consolidated financial statements.

Management maintains a system of internal controls designed to provide reasonable assurance that the consolidated financial statements accurately and reliably reflect the Company's operating results and that assets are adequately accounted for and safeguarded.

The consolidated financial statements have been reviewed by the Audit Committee and, together with the other information in this annual report, have been approved by the Board of Directors. PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has audited the consolidated financial statements and provided a professional opinion (see Auditors' Report).

October 28, 2005

Jay Switzer
President and Chief Executive Officer
CHUM Limited

Alan Mayne
Chief Financial Officer
CHUM Limited

Auditors' Report

To the Shareholders of CHUM Limited

We have audited the consolidated balance sheets of **CHUM Limited** as at August 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario
October 27, 2005

Consolidated Balance Sheets

As at August 31, (in thousands of dollars)	2005	2004
		(Restated – note 14)
ASSETS		
Current assets		
Cash	$ –	$ 17,910
Accounts receivable	128,791	95,302
Program rights (note 3)	68,921	70,978
Prepaid expenses and other assets	7,823	8,058
	205,535	192,248
Program rights (note 3)	109,241	100,339
Investments and other assets (note 4)	12,554	29,371
Property, plant and equipment (note 5)	202,623	182,547
Broadcast licences	256,879	87,109
Goodwill	216,929	124,809
	$1,003,761	$ 716,423
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 64,959	$ 51,354
Current portion of long-term debt (note 7)	1,791	210
Income taxes payable	4,831	5,578
Program rights payable	72,007	57,426
	143,588	114,568
Program rights payable	19,932	24,162
Long-term debt (note 7)	319,563	131,561
Future income taxes (note 11)	35,494	19,184
Non-controlling interest	377	3,697
	518,954	293,172
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	147,514	124,242
Retained earnings	337,293	299,009
	484,807	423,251
	$1,003,761	$ 716,423

Approved by the Board of Directors

Director

Director

Consolidated Statements of Earnings

For the years ended August 31, (in thousands of dollars, except per share amounts)	2005	2004
Revenue – less agency commissions	$ 628,392	$ 560,792
Operations expenses	511,939	468,143
	116,453	92,649
Expenses		
Depreciation	25,436	23,895
Interest	13,059	6,964
Interest and other income	(977)	(641)
Asset writedowns (notes 3 and 4)	9,347	–
	46,865	30,218
Earnings before income taxes and non-controlling interest	69,588	62,431
Provision for income taxes (note 11)	28,007	23,777
Earnings before non-controlling interest	41,581	38,654
Non-controlling interest in earnings of subsidiaries	216	1,622
Net earnings for the year	$ 41,365	$ 37,032
Net earnings per Non-voting Class B Share and per Common Share (note 9(b))	$ 1.49	$ 1.35

Consolidated Statements of Retained Earnings

For the years ended August 31, (in thousands of dollars, except per share amounts)	2005	2004
Retained earnings – Beginning of year	$ 299,009	$ 264,998
Net earnings for the year	41,365	37,032
	340,374	302,030
Deduct		
Dividends paid ($0.04 per share, regular and $0.07 per share, special)		
Non-voting Class B Shares	2,339	2,279
Common Shares	742	742
	3,081	3,021
Retained earnings – End of year	$ 337,293	$ 299,009

Consolidated Statements of Cash Flows

For the years ended August 31, (in thousands of dollars)	2005	2004
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings for the year	**$ 41,365**	$ 37,032
Items not affecting cash		
Depreciation	**25,436**	23,895
Non-controlling interest in earnings of subsidiaries	**216**	1,622
Future income taxes	**10,458**	(348)
Asset writedowns	**9,347**	–
Other	**608**	–
	87,430	62,201
Changes in non-cash balances related to operations		
(Increase) decrease in accounts receivable	**(12,098)**	6,075
Decrease (increase) in program rights	**7,595**	(6,774)
Decrease in prepaid expenses and other current assets	**751**	2,627
(Increase) decrease in other assets	**(1,844)**	360
Decrease in accounts payable and accrued liabilities	**(13,882)**	(3,933)
Decrease in income taxes payable	**(1,426)**	(8,935)
Decrease in program rights payable	**(4,064)**	(10,746)
	(24,968)	(21,326)
	62,462	40,875
Investing activities		
Additions to property, plant and equipment – net	**(27,846)**	(20,385)
Acquisitions – net of cash acquired	**(223,628)**	(430)
Increase in investments and other assets	**(2,686)**	(10,469)
Increase in deposits	**–**	(15,500)
	(254,160)	(46,784)
Financing activities		
Dividends paid	**(3,081)**	(3,021)
Financing costs paid	**(2,421)**	(210)
Long-term debt repayments	**(56,873)**	(139,266)
Increase in long-term debt	**237,000**	144,864
Dividends paid to non-controlling interest	**(1,200)**	–
Receipt of capital from non-controlling interest	**363**	–
	173,788	2,367
Change in cash during the year	**(17,910)**	(3,542)
Cash – Beginning of year	**17,910**	21,452
Cash – End of year	**$ –**	$ 17,910
Supplementary information		
Income taxes paid	**20,657**	33,061
Interest paid	**$ 11,060**	$ 8,838

August 31, 2005 and 2004 (in thousands of dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements present the operations of the company, its subsidiaries and its 50% interest in MusiquePlus Inc. and Sun Radio Limited accounted for on a proportionate consolidation basis. All other investments are carried at cost.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from these estimates.

Significant estimates have been made with respect to the carrying values of goodwill, intangibles and program rights.

Revenue recognition

Revenue earned from sales of airtime is recognized in the accounts when the advertisement is aired. Revenues are recorded net of agency commissions as these charges are paid directly to the agency by the advertiser.

Revenue earned from television subscriber fees is recognized in accordance with distribution agreements in the period broadcasts are made available.

Program rights

Program right assets representing the right to broadcast feature films and television programs and related liabilities are recorded when the program cost is reasonably determinable, the licence period has begun and the program material is available for telecast or resale. Such costs are allocated between current and non-current assets using management's estimate of usage or recovery in the next fiscal year. Program rights are reported at the lower of net amortized cost and net realizable value.

The costs of broadcast rights are amortized over the period of the rights contract on the basis of usage. Where the initial airing generates more benefit to the television channel than later airings, an accelerated method of amortization is used. The amortization rates range from 35% to 100% on the first airing. If each airing is expected to generate similar benefit, the straight-line method of amortization is used based on the expected number of airings during the rights period.

Liabilities for program rights are payable in instalments in accordance with the licence agreements or on the basis of usage of the program material. The liability is segregated between current and non-current using payment terms and management's estimate of usage in the next fiscal year.

Program rights include investment in films for which the company has produced or acquired distribution rights. Costs include all production costs which are expected to be recovered from exploitation, exhibition or licensing and are capitalized and amortized using the individual film forecast method. Advances or contributions received from third parties to assist in development are deducted from these costs.

The valuation of investments in films is reviewed on a title-by-title basis. When circumstances indicate that the fair value, as determined by management's estimate of discounted future cash flows, is less than unamortized cost, a writedown of the unamortized cost to fair value is recorded.

Depreciation

Depreciation is provided on a declining balance basis using the following rates: buildings – 4% to 5%; broadcasting equipment – 20% to 30%; and other – 8% to 30%. Leasehold improvements are amortized on a straight-line basis over the term of the lease plus one renewal period.

Impairment of long-lived assets

Impairment of long-lived assets is recognized when an adverse event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flow expected from its use and eventual disposition. The impairment loss is calculated by deducting fair value of the asset from its carrying value.

Start-up costs

Start-up costs for the preparation of new applications to the CRTC are expensed. Start-up costs for licences of successful applications, which are awarded by the CRTC, are capitalized from the date they are awarded to the date revenue is generated for the service. Start-up costs are amortized over a period that reflects their expected future benefit, not exceeding five years.

Goodwill and broadcast licences

Goodwill and broadcast licences with indefinite lives are not subject to amortization and are tested annually for impairment or more frequently when circumstances indicate an impairment may have occurred. The fair values of goodwill and broadcast licences are compared to the carrying values and an impairment loss recognized for the excess.

Income taxes

The company accounts for income taxes under the asset and liability method. Under this method, future income tax assets and liabilities are recognized for future income tax consequences attributable to the differences between financial statement carrying values and income tax bases of assets and liabilities. Future income tax assets and liabilities are measured using the substantively enacted income tax rates relating to the period in which they are expected to be settled. The effects of changes in substantively enacted income tax rates on future income tax assets and liabilities are recognized in income in the period the income tax rate is substantively enacted.

Post-employment benefits

The cost of providing benefits through defined benefit pensions is actuarially determined and recognized in earnings using the projected benefits method pro-rated on service. Differences arising from plan amendments, changes in assumptions and experience gains and losses are recognized in earnings over the expected average remaining service life of employees. The cost of providing benefits through defined contribution pension plans is charged to earnings when contributions become payable.

Actuarial gains and losses that fall outside a corridor defined as the greater of (a) 10% of the accrued benefit obligation and (b) 10% of the fair market value of the plan assets at the beginning of the year are amortized over the average remaining service period of active employees on a straight-line basis.

The expected return on plan assets is based on the fair value of plan assets.

Financing costs

Debt issue costs are capitalized and amortized over the term of the related credit facility.

2. ACCOUNTING CHANGES

Variable interest entities

During 2005, the company adopted Accounting Guideline 15 (AcG-15), "Consolidation of Variable Interest Entities" (VIEs). AcG-15 provides criteria for the identification of VIEs and further criteria for determining what entity, if any, should consolidate them. AcG-15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the equity investors lack the characteristic of a controlling financial interest. VIEs are subject to consolidation by a company if that company is deemed the primary beneficiary of the VIE. The primary beneficiary is the party that is either exposed to a majority of the expected losses from the VIE's activities or is entitled to receive a majority of the VIE's residual returns or both. The company has variable interests in certain production entities through its loans and advances repayable from future distribution revenues. The company has determined it is not the primary beneficiary of the VIEs identified; therefore, the new standard has no impact on the company's financial position or results of operations.

3. PROGRAM RIGHTS

(in thousands of dollars)	2005 Current	2005 Long-term	2004 Current	2004 Long-term
Broadcast rights, net of accumulated amortization	$ 63,539	$ 109,241	$ 70,978	$ 95,918
Prepaid rights	4,242	–	–	–
Investment in film	1,140	–	–	4,421
	$ 68,921	$ 109,241	$ 70,978	$ 100,339

The company expects that 40% of the unamortized cost of program rights will be amortized during the year ending August 31, 2006. The company expects that over 95% of the unamortized cost of program rights will be amortized during the five-year period ending August 31, 2010.

The company has entered into various agreements for the right to broadcast certain feature films and syndicated television programs in the future. These agreements, which range in term from one to five years, generally commit the company to acquire specific programs or films or certain levels of future productions. The acquisition of these additional broadcast rights is contingent on the actual production and/or the airing of the programs or films. See note 8 for commitments arising from these agreements.

During the year, the investment in a film was written down by $3,221, based on an assessment of the film's future revenue projections and recoverability of the advance. The charge is included in asset writedowns in the consolidated statements of earnings.

4. INVESTMENTS AND OTHER ASSETS

(in thousands of dollars)	2005	2004
Deposits	$ –	$ 15,500
Loans receivable	4,220	8,631
Investments – at cost	70	627
Deferred financing costs, net of accumulated amortization	2,333	321
Accrued pension benefit asset (note 10)	3,891	1,657
Other	2,040	2,635
	$ 12,554	$ 29,371

As at August 31, 2004, the deposit of $15,000 related to the acquisition of CMI. The remaining deposit of $500 related to the acquisition of the broadcasting assets of Seacoast. These have been included in the purchase price allocations completed in fiscal 2005 (note 6).

Loans receivable bear interest at the bank's prime rate plus 1% and are unsecured. The loans are repayable from the international distribution receipts from three third party productions commissioned by the company. During the year, the carrying value of a loan of $5,626 was determined to be impaired based on an assessment of the underlying production and written off to asset writedowns in the consolidated statements of earnings.

5. PROPERTY, PLANT AND EQUIPMENT

(in thousands of dollars)	2005	2004
Cost		
Land	**$ 22,573**	$ 21,741
Buildings	**117,155**	108,306
Broadcasting equipment	**208,633**	184,813
Other	**80,412**	71,436
	428,773	386,296
Accumulated depreciation		
Buildings	**30,046**	26,377
Broadcasting equipment	**139,395**	127,532
Other	**56,709**	49,840
	226,150	203,749
	$ 202,623	$ 182,547

6. SIGNIFICANT BUSINESS TRANSACTIONS

a) Effective February 15, 2005, the company purchased all of the shares held by the minority shareholders (representing 40% of the total outstanding shares) of LTA. The purchase price was approximately $32,000, payable as $8,000 in cash and the issuance of 659,827 Non-voting, Class B Shares. These shares were valued at the weighted average closing price of such shares on the Toronto Stock Exchange for the five trading days prior to the closing date. The purchase price was determined by the vendors and purchaser based on an independent valuation. The vendors included individuals who are directors and/or officers of LTA, CHUM Limited and certain other subsidiaries of the company.

The transaction resulted in an increase of broadcast licence of $26,301, goodwill of $6,339, future income tax liabilities of $4,734 and a decrease in non-controlling interest of $3,389.

b) On December 1, 2004, the company acquired 100% of the outstanding common shares of CMI. The results of CMI's operations have been included in the consolidated financial statements beginning on December 1, 2004. CMI operated conventional television stations in Ontario, Alberta and Manitoba, including Toronto 1 and specialty services across Canada. The aggregate purchase price was a cash consideration of $265,000, subject to a working capital adjustment, on a debt-free basis. The purchase price includes $16,117 that was paid in cash in the previous year and included in investments and other assets. In addition, the company has incurred a cost of $2,757 to the year-end in respect of termination payments for certain employees of the acquired business.

On December 2, 2004, the company sold Toronto 1 to the TVA Group Inc. and Sun Media Corporation, both subsidiaries of Quebecor Media Inc. for the price of $46,000 (less a preliminary working capital adjustment of $3,500) on a debt-free basis. As part of the transaction, the company obtained Sun Media Corporation's 29.9% ownership interest in southern Ontario cable news channel CP24, valued at $8,000, increasing the company's ownership of the channel to 100%.

c) On September 30, 2004, the company purchased from Seacoast, the broadcasting assets of Victoria, B.C. radio stations, CFAX-AM and CHBE-FM, for $9,336. The purchase price includes $670 that was paid in cash in the previous year and included in investments and other assets.

The following table summarizes the assets and liabilities assumed for the CMI and Seacoast transactions at the dates of the acquisitions.

(in thousands of dollars)	Craig Media Inc.*	Seacoast
Current assets	$ 37,673	$ 558
Property, plant and equipment	16,708	311
Future income tax assets	19,843	–
Broadcast licences	127,000	8,467
Goodwill	86,131	–
	287,355	9,336
Current liabilities(i)	39,374	–
Long-term debt	1,737	–
Future income tax liabilities	23,052	–
Non-controlling interest	430	–
	64,593	–
Net assets acquired	$ 222,762	$ 9,336
Consideration		
Cash	$ 259,822	$ 8,734
Mortgages assumed	2,949	–
Acquisition costs paid	3,594	202
Acquisition costs accrued	–	400
Proceeds received on sale of Toronto 1	(43,603)	–
	$ 222,762	$ 9,336

* CMI's acquisition after the disposal of Toronto 1 operations for proceeds of $34,549 cash and outstanding non-controlling interest in CP24.

(i) Includes assumed liabilities relating to licence termination payments in the amount of $10,300 paid to MTV Networks International.

d) Effective June 15, 2004, the company purchased the assets of Kamco Music and Soundsystems Ltd., a Muzak franchise, for $430 cash and $193 payable by October 15, 2004 and $192 payable by February 15, 2005. Assets and liabilities assumed were property, plant and equipment of $83, inventory of $63, liabilities of $17 and an intangible of $686. The intangible relates to contractual customer relationships and is being amortized over a period of 17 years.

7. LONG-TERM DEBT

(in thousands of dollars)	2005	2004
Mortgage at 9.35%, maturing in 2006	**$ 1,697**	$ 1,907
Mortgage at 6.99%, maturing in 2008	**1,760**	–
Revolving credit facility	**307,897**	–
Revolving operating facility	**–**	15,560
Revolving term loan facility	**–**	104,304
Preferred shares at 10.00%, redeemable in 2009	**10,000**	10,000
	321,354	131,771
Less: Current portion	**1,791**	210
	$ 319,563	$ 131,561

On December 1, 2004, the company signed an agreement for a new five-year syndicated, revolving credit facility for an amount of $500,000. The facility is unsecured and bears interest based on several reference rates plus applicable margins based on certain ratios maintained by the company. The effective interest rate for the year ended August 31, 2005 is 4.2%. For the year ended August 31, 2004, the effective rates for the comparable facilities were 6.0% and 4.6% for the operating and term loan facilities, respectively. The new facility has a term to November 2009, unless extended in accordance with the agreement. This credit facility includes certain covenants requiring the company to maintain certain financial ratios.

Principal payments of the long-term debt, based on terms existing as at August 31, 2005 over the next five years are:

Year ending August 31, (in thousands of dollars)	
2006	$ 1,791
2007	100
2008	1,566
2009	10,000
2010	307,897

The preferred shares have been treated as debt for accounting purposes, as they bear a fixed rate of return and are retractable at the option of the holder. The preferred shares are classified as long-term debt on the consolidated balance sheets and dividends are classified as interest expense in the consolidated statements of earnings.

8. COMMITMENTS

Program rights

As at August 31, 2005, the company reported program rights payable for the years ending August 31, 2005 to 2010 totalling $91,939, of which, approximately $72,007 is payable over the next 12 months. In addition, commitments for the purchase of program rights have been concluded where the program material has not yet been made available for telecast. Estimated future commitments total $76,892, of which, approximately $62,727 is due over the next 12 months.

Leases

The company is committed under operating leases for rental of properties, broadcasting facilities and other equipment.

Future minimum payments are as follows:

Year ending August 31, (in thousands of dollars)	
2006	$ 9,005
2007	8,070
2008	6,498
2009	4,988
2010	2,394
2011 and subsequent years	11,373
	$ 42,328

9. CAPITAL STOCK

(in thousands of dollars)	2005	2004
Non-voting Class B Shares		
Authorized		
Unlimited number of Non-voting Class B Shares		
Issued		
21,378,929 (2004 – 20,719,102) shares	**$ 145,424**	$ 122,152
Common Shares		
Authorized		
Unlimited number of Common Shares		
Issued		
6,748,030 shares	**2,090**	2,090
	$ 147,514	$ 124,242

a) The holders of the Non-voting Class B Shares are entitled to receive, if, as and when declared by the Board of Directors, annual non-cumulative dividends at the rate of 4¢ per share. No dividends shall be declared on the Common Shares in any year until dividends of 4¢ per share have been paid on the Non-voting Class B Shares. In any year, when such dividends have been paid on both the Non-voting Class B and Common Shares, any further dividends shall be paid equally on the Non-voting Class B and Common Shares.

   The Non-voting Class B and Common shareholders are entitled to share equally in any distribution of the company's assets on winding up.

b) Net earnings per Non-voting Class B Share and per Common Share have been calculated on the basis of the weighted average number of shares outstanding during the year of 27,825,066 (2004 – 27,467,132) shares.

c) The company issued 659,827 Non-voting Class B Shares on February 15, 2005 as consideration for the acquisition of the non-controlling interest in LTA (note 6(a)).

d) The company's common shares and Non-voting Class B Shares were split on a two for one basis effective January 9, 2004. The earnings per share and issued share information for all years presented have been restated to reflect this subdivision.

10. POST-EMPLOYMENT BENEFITS

The company has a defined benefit pension plan available to all full-time employees of CHUM Limited and defined contribution pension plans available to all full-time employees of CHUM Television Vancouver Inc. and former subsidiaries of CMI. Contributions to the defined contribution pension plan were $428 (2004 – $425). The change in the funded status of the company's defined benefit pension plan was as follows:

(in thousands of dollars)	2005	2004
Change in benefit obligation		
Balance – Beginning of year	**$ 44,976**	$ 38,486
Current service cost	**4,264**	4,117
Interest cost	**3,260**	2,841
Benefits paid	**(1,872)**	(1,045)
Actuarial losses	**11,175**	577
Balance – End of year	**$ 61,803**	$ 44,976
Change in plan assets		
Market value – Beginning of year	**$ 40,323**	$ 32,791
Actual return on plan assets	**6,878**	2,916
Employer's contributions	**5,369**	4,221
Employees' contributions	**1,256**	1,440
Benefits paid	**(1,872)**	(1,045)
Market value – End of year	**$ 51,954**	$ 40,323

	2005	2004
Plan assets – End of year consist of		
Equity securities	**59%**	61%
Debt securities	**37%**	35%
Real estate	**4%**	4%
	100%	100%

(in thousands of dollars)	2005	2004
Funded status – plan surplus (deficit)		
Deficit – End of year	**$ (9,850)**	$ (4,653)
Unamortized net actuarial loss	**16,496**	9,277
Unamortized transitional asset	**(2,755)**	(2,967)
Accrued pension benefit asset – End of year	**$ 3,891**	$ 1,657
Elements of defined benefit costs recognized in the year		
Current service cost – net of employees' contributions	**$ 3,008**	$ 2,677
Interest cost	**3,261**	2,841
Actual return on plan assets	**(6,878)**	(2,916)
Actuarial losses	**11,175**	577
Elements of defined benefit costs before adjustments to recognize the long-term nature of employee future benefit costs	**10,566**	3,179
Adjustments to recognize the long-term nature of employee future benefit costs		
Difference between expected return and actual return on plan assets for the year	**3,675**	284
Difference between actuarial gain recognized for the year and actual actuarial gain on accrued benefit obligation for the year	**(10,894)**	(256)
Amortization of the transitional obligation	**(212)**	(212)
	(7,431)	(184)
Defined benefit costs recognized	**$ 3,135**	$ 2,995

Assumptions

The significant actuarial assumptions used are as follows (weighted average):

	2005	2004
Accrued benefit obligation as at August 31		
Discount rate	**5.50%**	6.75%
Rate of compensation increase	**4.00%**	5.50%
Benefit costs for year ended August 31		
Discount rate	**6.75%**	6.75%
Expected long-term rate of return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**5.50%**	5.50%

The measurement date is August 31, 2005. The last actuarial valuation of the defined benefit pension plan was performed on January 1, 2005. The next actuarial valuation of the defined benefit pension plan will be required as at January 1, 2006.

11. INCOME TAXES

The differences between the effective income tax rate reflected in the provision for income taxes and the Canadian statutory income tax rate are as follows:

	2005	2004
Corporate statutory rate of income taxes	**35.8%**	36.3%
Adjusted for the effect of		
Non-deductible preferred share dividends	**0.5%**	0.6%
Large corporations tax	**0.9%**	0.1%
Writeoff of loans	**3.4%**	–
Other	**(0.4%)**	1.1%
	40.2%	38.1%

The provision for income taxes comprises:

(in thousands of dollars)	2005	2004
Current	**$ 17,549**	$ 24,125
Future	**10,458**	(348)
	$ 28,007	$ 23,777

Future income tax liabilities and assets consist of the following:

(in thousands of dollars)	2005	2004
Liabilities		
Start-up costs	**$ 398**	$ 1,293
Broadcast licence	**42,470**	14,876
Goodwill	**4,702**	7,024
Property, plant and equipment	**–**	840
Other	**1,482**	840
	49,052	24,873
Assets		
Property, plant and equipment	**41**	–
Income tax losses available for carry-forward	**7,853**	1,938
Capital stock	**674**	1,356
Other	**4,990**	2,395
	13,558	5,689
	$ 35,494	$ 19,184

As at August 31, 2005, the company has non-capital loss carry-forwards for income tax purposes of $21,900. These losses expire from 2009 to 2015. In addition, the company has capital loss carry-forwards of $6,617. No benefit has been recognized in respect of capital loss carry-forwards.

12. SEGMENTED INFORMATION

The company's principal business activities are carried out through three reportable segments: television, radio and other. Television consists of the company's Ontario, Manitoba, Alberta and British Columbia television stations and specialty channels. Radio consists of AM and FM stations across the country. Other consists of the company's background music network and head office function.

Information on the operating groups is as follows:

(in thousands of dollars)	Television	Radio	Other	2005 Total
Revenues	**$ 482,628**	**$ 134,479**	**$ 11,285**	**$ 628,392**
Earnings (loss) before income taxes and non-controlling interest	**60,635**	**39,979**	**(31,026)**	**69,588**
Goodwill	**155,438**	**55,855**	**5,636**	**216,929**
Total assets	**852,380**	**139,523**	**11,858**	**1,003,761**
Capital expenditures	**22,422**	**4,520**	**904**	**27,846**
Depreciation	**20,753**	**3,655**	**1,028**	**25,436**

	Television	Radio	Other	2004 Total
Revenues	$ 426,987	$ 122,818	$ 10,987	$ 560,792
Earnings (loss) before income taxes and non-controlling interest	49,267	33,639	(20,475)	62,431
Goodwill	63,318	55,854	5,637	124,809
Total assets	559,302	142,962	14,159	716,423
Capital expenditures	17,023	2,709	653	20,385
Depreciation	18,764	3,408	1,723	23,895

13. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The fair values of financial instruments included in current assets and liabilities, which include cash, accounts receivable, accounts payable and accrued liabilities and program rights payable, approximate their carrying values due to their short-term nature.

The fair values of loans receivable and investments included in investments and other assets are not readily determinable, as there are no fixed terms of repayment or market values.

The fair value of long-term debt approximates its carrying value, as interest charges under the credit facilities are based on current Canadian bank prime and bankers' acceptance rates.

The fair value of program rights payable approximates its carrying value.

Credit risk

The company is exposed to credit risk, primarily in relation to accounts receivable and loans receivable. Exposure to credit risk arises due to the concentration of individual balances with large advertising agencies or broadcasting distribution undertakings. The company performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Interest rate risk

The company is exposed to interest rate risk arising from fluctuations in interest rates on its drawings under its revolving credit facilities. The company has not entered into interest rate conversion agreements.

14. PRIOR YEAR'S CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative figures for the year ended August 31, 2004 have been reclassified to conform to the 2005 basis of presentation.

The company restated its balances for goodwill and future income tax liabilities to reflect a change in the interpretation of the income tax treatment of the broadcasting licence acquired on the acquisition of CHUM Television Vancouver Inc. in October 2001. These balances were each reduced by $14,049.

Corporate Information

BOARD OF DIRECTORS – 2005

James A. Waters
Chairman
Aurora, Ontario

Ron Waters
Vice Chairman
Toronto, Ontario

Jay Switzer
President and Chief Executive Officer
Toronto, Ontario

Gordon Craig
Toronto, Ontario

Lawrence W. Lamb [1, 2, 3*]
Ennismore, Ontario

John (Jack) Mattenley [1, 3]
Barrie, Ontario

Fred Sherratt
Toronto, Ontario

Robert M. Sutherland, Q.C. [1*, 2*, 3]
Toronto, Ontario

Catherine Tait
New York, New York

Allan Waters [4]
Toronto, Ontario

Marjorie Waters
Toronto, Ontario

(1) Audit Committee
(2) Compensation Committee
(3) Corporate Governance Committee
(4) Became Honorary Director, October 2005
* Denotes Committee Chairman

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EXECUTIVE MANAGEMENT

Corporate

Jay Switzer
President and Chief Executive Officer

Alan Mayne
Chief Financial Officer

Denise Cooper
Vice President,
Business & Legal Affairs,
General Counsel & Secretary

Sarah Crawford
Vice President, Public Affairs

Peter Miller
Vice President,
Planning & Regulatory Affairs

Mary Powers
Vice President,
Communication & Investor Relations

Divisional

Paul Ski
Executive Vice President,
CHUM Radio

David Kirkwood
Executive Vice President,
Sales & Marketing,
CHUM Television

Roma Khanna
Senior Vice President, Content, CHUM Television

Peter Palframan
Senior Vice President, Operations,
CHUM Television

CORPORATE INFORMATION

Head Office
1331 Yonge Street
Toronto, Ontario
Canada M4T 1Y1

Executive Office
299 Queen Street West
Toronto, Ontario
Canada M5V 2Z5

General Counsel/Secretary
Denise Cooper
Vice President, Business & Legal Affairs,
General Counsel and Secretary
416-591-7400 ext. 2722
denisec@chumlimited.com

Investor Relations
Mary Powers
Vice President, Communication and Investor Relations
416-591-7400 ext. 2511
maryp@chumlimited.com

Investor Relations Web Site
chumlimited.com/investors

Registrar and Transfer Agent
Computershare Trust Company of Canada
Toronto, Montreal, Halifax, Vancouver
www.computershare.com

Solicitors
Fasken Martineau DuMoulin LLP
Toronto Dominion Bank Tower
66 Wellington Street West
Suite 4200, P.O. Box 20
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1N6

Auditors
PricewaterhouseCoopers LLP
Suite 3000, Box 82
Royal Trust Tower, TD Centre
Toronto, Ontario
Canada M5K 1G8

Bankers
Royal Bank of Canada

Stock Exchange Listing
Toronto Stock Exchange
Trading symbols: CHM/CHM.NV.B

Annual Meeting of Shareholders
December 14, 2005, 2:00 pm
Sovereign Room
Le Royal Meridien King Edward Hotel
37 King Street East
Toronto, Ontario
Canada M5C 1E9

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